COPELAND BOROUGH COUNCIL

Statement of Accounts

For the year ended 31 March 2018

Contents

Narrative Statement

Introduction

The Statement of Accounts summarises Copeland Borough Council's financial performance, financial position and cash flows for the financial year from 1 April 2017 to 31 March 2018.

To provide context to and assist in the interpretation of the Statement of Accounts, the Narrative Report, which follows, provides information about the Council of relevance to understanding its financial performance and position. This includes information about the Council's:

- Progress and Performance against the Corporate Strategy;
- Key risks and uncertainties in relation to future service provision;
- Medium term financial strategy;
- Financial performance (income and expenditure) and cash flows during the financial year, the major influences affecting performance and cash flows and how actual financial performance compares to budget; and
- Financial position (balance sheet) at the year-end and the major influences affecting the Council's financial position. This Statement of Accounts summarises financial performance and position of the Council as it delivers the Corporate Strategy.

About the Council and the Borough

Copeland borough is one of six boroughs that make up Cumbria; the third largest county in the UK by area, yet one of the most sparsely populated. The Council provides key services to the public of Copeland including rubbish collection, recycling, council tax collections, planning applications. These are set out in detail on page 15. The Council's Vision is to become a commercially focused organisation with a national reputation for high quality services.

Copeland is an area of extreme contrasts. It contains England's highest mountain (Scafell Pike) and its deepest lake (Wastwater), and two-thirds of the borough's 773 square kilometres sit in the Lake District National Park, a new UNESCO World Heritage Site.

Complementing the Lake District's outstanding beauty, Copeland hosts 80 kilometres of coastline, which, at St Bees Head, incorporates the only section of Heritage Coast in North West England.

The borough has four towns - Whitehaven, Egremont, Cleator Moor and Millom - and of Copeland's 68,700 residents, 39.5 per cent live in urban areas while 60.5 per cent live in rural areas. In terms of population, Copeland has a lower proportion of those aged under 64, compared to the national average.

In 2016/17, Copeland had 36,000 jobs in the local economy, the majority of which (54.9 per cent) were supported by Sellafield Ltd.

The sector with the highest proportion of enterprises in Copeland is professional, scientific and technical (23.4 per cent), followed by agriculture, forestry and fishing (18.1 per cent) and business, administration and support services (10.3 per cent).

In 2016, the top three sectors for full-time employment were:

- Manufacturing (42.6 per cent)
- Professional, scientific and technical (8.5 per cent)
- Construction and health (both 7.4 per cent)

In 2016, the top three sectors for part-time employment were:

- Health (22 per cent)
- Accommodation and food services (16.6 per cent)
- Retail (13.9 per cent)

The overall life expectancy at birth in Copeland is 78 years for men and 81 years for women.

The proportion of people claiming out-of-work benefits is higher than the national average (9.6 per cent compared to 8.4 per cent).

Members & Workforce

To achieve its priorities, the Council relies on both non-financial and financial resources. The Council has 51 elected Members (this changed to 33 in May 2019 following a Boundary Commission review) and around 230 (full time equivalent) staff.

The Council's constitution sets out how the Council operates its business and its decision making processes. Members and officers follow a Code of Conduct to ensure high standards in the way they undertake their duties, decision making and aims to ensure high ethical standards and increase public confidence in the integrity of their local members.

The Council has a Mayoral and Executive style decision-making structure. The Council has one main Overview and Scrutiny Committee consisting of 13 councillors, which meet regularly to consider performance and portfolio reports. A number of other committees deal with specific areas of council business including: Planning, Licensing, Audit & Governance and Human Resources.

The Council's elected Members are working collaboratively with all public services and other key partners to reduce duplication of work and improve customer service. The Council is a member body of the following Strategic Partnerships.

Copeland Community Fund	Britain's Energy Coast Properties
Greenwich Leisure Ltd	Cumbria Resilience Forum

Copeland Partnership	Cumbria Local Enterprise Partnership
Copeland Works and Skills Partnership	Joint District Forum
Howgate and Distington Partnership	Cumbria Housing Group
Regen NE Copeland	Public Health Alliance
West Copeland Partnership	Cumbria Strategic Waste Partnership
Mid Copeland Partnership	Lake District National Park Partnership
Whitehaven Locality Partnership	Cumbria Police and Crime Panel
South Copeland Partnership	Nuclear Legacy Advisory Forum (NULEAF)
Copeland Housing Partnership	Cumbria Leadership Board
Copeland Health and Wellbeing Forum	Lake District National Park Authority
WC Community Safety Partnership	Cumbria Local Nature Partnership
West Cumbria Site Stakeholder Group	New Nuclear Local Authorities Group (NNLAG)

The Council's Corporate Strategy

The 2016-2020 **Corporate Strategy** sets out the Council's Vision for 2020; Copeland Borough Council is a commercially focused organisation with a national reputation for high quality services.

The Corporate Strategy identifies the Council's Key Deliverables against four Ambitions:

- Town Centre Regeneration
    - For our towns, villages and streets to reflect the prosperity of the area.
- Commercialisation
    - To grow the commercial activity of the Council to benefit the people of Copeland, ensuring the wealth generated in Copeland, stays in Copeland.
- Employment Skills and Social Wellbeing –
    - To attract businesses, professionals and entrepreneur to Copeland and retain our talented young people.
    - To work with partners to support the most vulnerable in our borough; and
- Strengthen the Way We Operate
    - To continually review our services to ensure they meet the needs of the people of Copeland and ensure they are efficient, effective and accessible.
    - To maximise our opportunities for growth, within the council and with our strategic partners.

On 7th February 2017 Council also agreed the **Corporate Strategy Delivery Plan**. This is used to periodically monitor progress and performance against the Corporate Strategy. These reports can be accessed on the Council's website.

Cyber Attack

In August 2017, the Council was the subject of a zero-day malware ransom attack, also a brute force remote desktop attack, which was undetectable to anti-virus software and completely devastating to the running of the Council. The Council as a whole lost five weeks of functionality with all services affected. For example, the Council was without full use of its financial system for eight months and without elections information whilst running a by-election. This, along with staff shortages, affected the Council's ability to produce the financial statements on time.

The Local Government Association has recognised the severity of the attack, but also the way in which the Council organised its recovery and has used the Council as a case study to share experience.

The total cost of the attack (direct and indirect) will be circa £2m which would need to be met from the Council's General Reserves had the Council not received a Directive from Government to use capital resources to fund this; a total of £0.8m of capital receipts has been used in 2017/18 with the remaining amount expected in 2018/19.

Progress and Performance against the Corporate Strategy

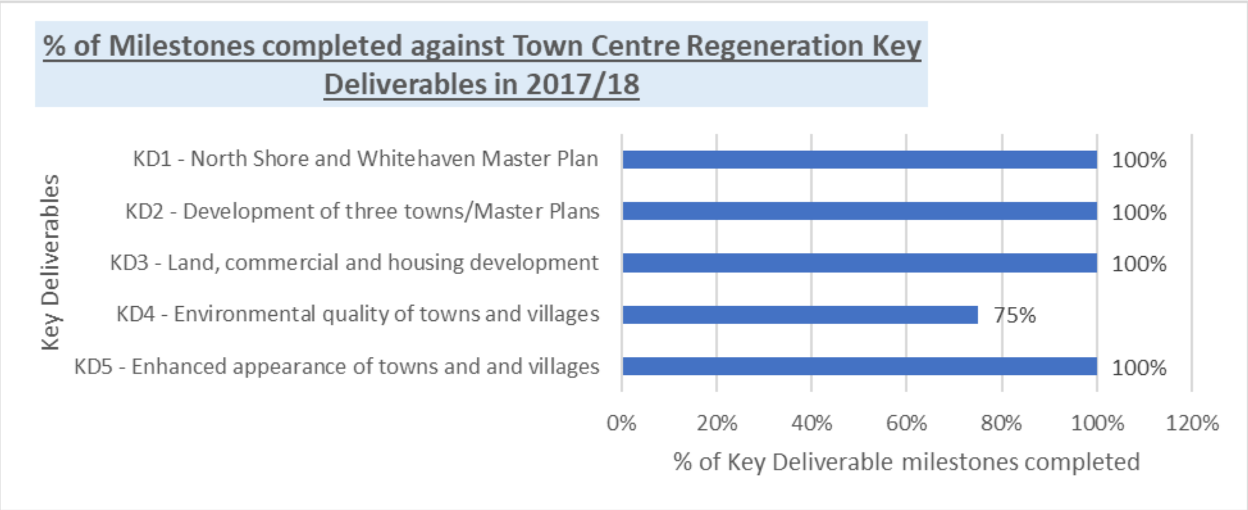
The Executive use an annual Corporate Strategy Delivery Plan and Key Performance Indicators (KPIs) to periodically monitor progress and performance against the 2016 – 2020 Corporate Strategy.

The Corporate Strategy Delivery Plan and KPIs list are reviewed annually in consultation with the Leadership and Management Group and Corporate Leadership team to ensure that they are appropriate and relevant.

There were 19 Key Deliverables and 102 associated milestones set in the Corporate Strategy Delivery Plan for 2017/18, of which 14 were achieved in full (74%). Progress and performance against each deliverable can be found in the final 2017/18 Corporate Performance Report to the Executive on 24th July 2018.

Ambition 1 – Town Centre Regeneration

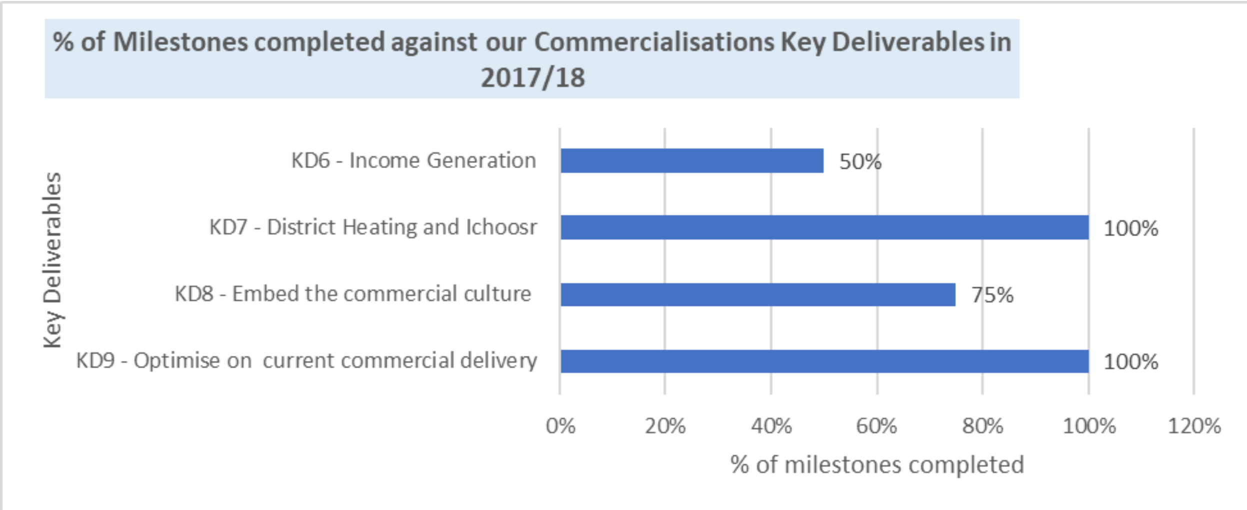
For Ambition 1 - Town Centre Regeneration the Council monitored five Key Deliverables and 22 associated Milestones, of which 4 were achieved in full and 19 (86%) Milestones were completed in full. The chart below shows the percentage of Milestones that were completed against each Key Deliverables:



More than £83,000 to 31 businesses as part of the Copeland Pride of Place initiative.

Ambition 2 – Commercialisation

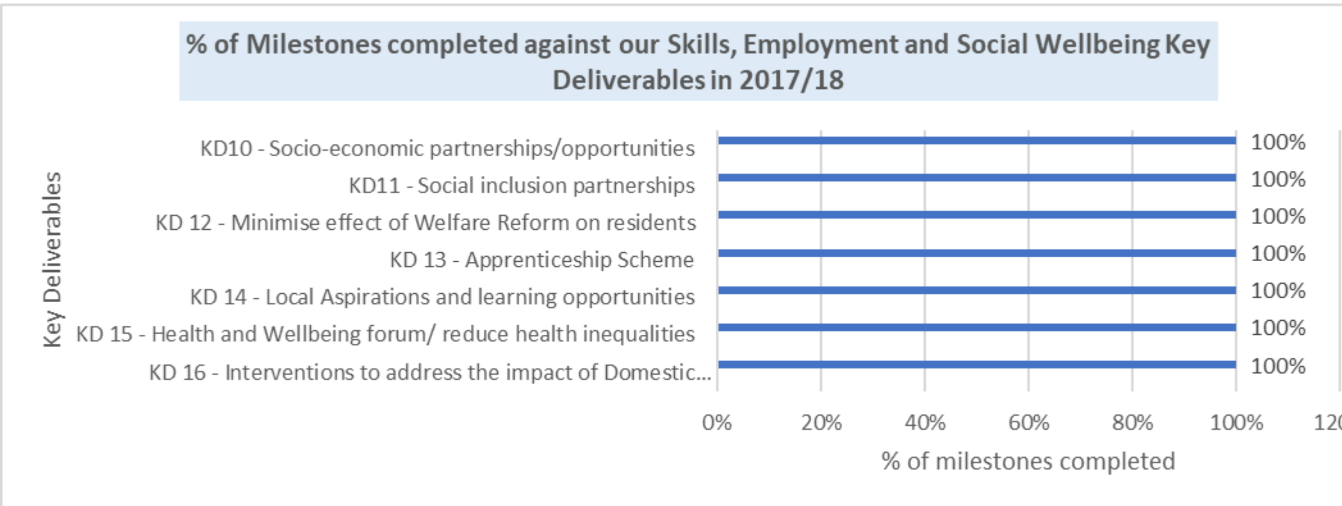
For Ambition 2- Commercialisation the Council monitored four Key Deliverables and 23 associated Milestones. The chart below shows the percentage of Milestones that were completed against each Key Deliverables.



During the year the Council hosted its second successful Copeland Open for Business conference, featuring eight high-profile speakers and more than 300 delegates from sectors including business, health, nuclear, tourism, and education.

Ambition 3 – Employment, Skills and Social Wellbeing

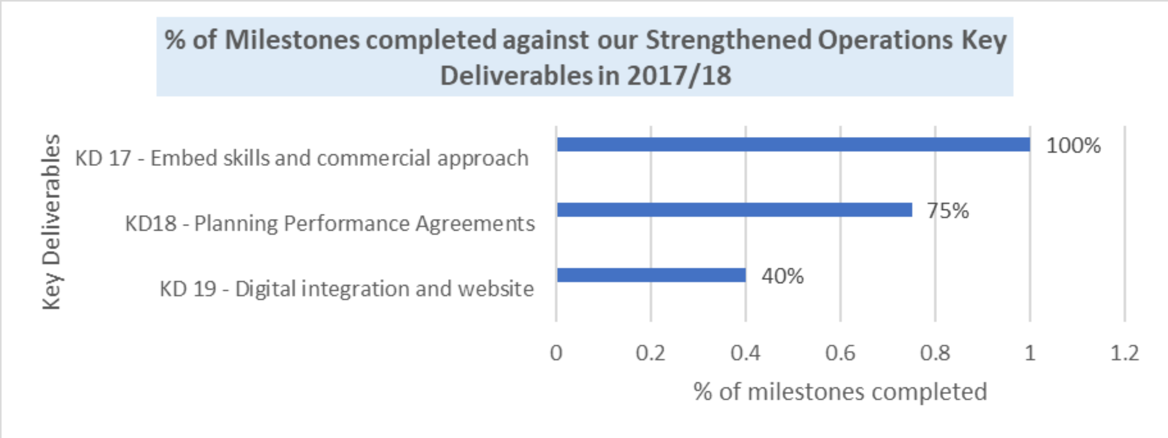
For Ambition 3- Employment, Skills and Social Wellbeing, the Council monitored seven Key Deliverables and 37 associated Milestones, of which all seven were achieved in full. The chart below shows the percentage of Milestones that were completed against each Key Deliverables.



Key achievements during 2017/18 included the successful recruitment of 5 apprentices and the opening of a new ‘Changing Places’ accessible changing room at Copeland Pool and Fitness Centre in Whitehaven.

Ambition 4 – Strengthen the way the Council operates

For Ambition 4 - Strengthen the way the Council operates, we monitored three Key Deliverables and 20 associated Milestones. The chart below shows the percentage of Milestones that were completed against each Key Deliverables.



Key activity in 2017/18 included investment in the waste, bereavement and IT services.

Progress on digital integration and the website refit was impacted greatly by the cyber-attack where resources were realigned to focus on disaster recovery and systems rebuild and availability to restore full service to our customers.

Key Performance Indicators

During 2017/18 the Council monitored twenty KPIs. The outturn position for 2017/18 shows that 65% of KPIs have met their annual targets (including four within variances) and 50% of comparable KPIs had improved or maintained performance when compared to last year. The table overleaf shows KPIs monitored, whether the annual target was met and how performance compared to that of 2016/17.

Key Performance indictor	Was annual target met?	Was performance improved compared to 2016/17?
Number of empty homes brought back into use	✔	↑
Number of new homes approved	✔	↑
Number of new executive homes built	✔	↑
External funding for economic development secured	✔	Unable to compare
Number of apprenticeships within the council	✔	↑
% transactions received using e-payments	✔	↑
% major planning applications determined within 13 weeks	✔	↑
% minor planning applications determined in timeframe	✔	↑
% other planning applications determined in timeframe	✔	↓
% non-domestic rates collected	⚠	↓
% complains resolved at stage one within timeframe	⚠	↓
% FOI requested responded within timeframe	⚠	↓
% household waste sent for reuse, recycling or composting	⚠	↑
% Council tax collected	🛑	↓
Number new homes built	🛑	↓
Number affordable homes built	🛑	↑
Additional income generated through commercial activity	🛑	↑
Speed of processing new HB and CT claims	🛑	↓
Speed of processing changes to HB and CT Claims	🛑	↓
Number of repeat homelessness cases in last 2 years	🛑	Unable to compare

Some highlights in KPI performance for 2017/18 include:

- Percentage of Council Tax collected - 94.49% collected in 2017/18 compared to 97.7% in 2016/17. Target not met due to systems and connectivity issues and disrupted staffing arrangements as a result of cyber-attack in August 17. Council Tax were unable to issues any bills for 6 months (Aug 17 to Feb 18) or carry out any Council Tax recovery from the cyber-attack in August to the end of the financial year.

- Number of new homes built - Target 230 new homes. 112 in 2017/18 compared to 129 in 2016/17. Fewer new homes were built in 2017/18 compared to 2016/17; however there was an increase in the total number of new homes approved. Number of new homes approved. 443 new homes were approved in 2018/19; this is 143 more than the annual target of 300.

- Number of new affordable homes built - Target 35 new affordable homes built. 17 affordable homes built in 2017/18 is an increase compared to 4 in 2016/17. During 2017/18 the focus had been on rebalancing the housing supply in

Copeland by increasing the number of executive homes (KPI 1.6), and retrofitting existing housing stock to meet housing demands.

- Additional income generated through Commercial activity - Target £ 139,000 additional net increase. Although the annual target was not met, there was an increase in income generated from 16/17 to 17/18.

- Speed of processing (days) for new HB/CTR claims - Target 22 days. 37.3 days average in 2017/18 compared to 22.6 days average in 2016/17

- Speed of processing (days) for changes of circumstances for HB/CTB claims. Target 10 days. 22.61 days average in 2017/18 compared to 9.13 days average

- Number of repeat homelessness cases in last 2 years. Repeat homelessness was measured for each quarter in 2016/17, this was changed to the much more challenging measure of repeat homelessness of in the last 2 years for 2017/18.

- Percentage of household waste sent for reuse, recycling and composting. Target 35%. 32.72% in 2017/18 compared to 32.48% in 2016/17 The new kerbside recycling scheme was rolled out across Copeland during April 2018. Householders are now able to have 5 different types of recyclable materials collected from kerbside on a fortnightly basis.

Risk Management

There is a Risk Management Framework has undergone internal review and a refreshed Risk Management Policy was adopted in March 2018. The Policy includes the Council's risk appetite statement in relation to Corporate Strategy 2016-2020 and the delivery of statutory services, it also sets out roles and responsibilities for risk management across the Council and risk escalation procedures.

Within the risk management framework, risk registers are used to assess identify, assess, manage and monitor risks. The following risk registers are used in the Council:

- Strategic Risk register;

- Operational Risk register;

- Projects Risks;

- Partnership Risks; and

- Health and Safety Risks.

The Zurich Risk Assessment Matrix is used across the authority to determine whether risks are low, medium or high priority.

Strategic and Operational Risk Management.

Strategic and Operational risk templates are aligned to the Corporate Strategy.

All risks listed in the strategic Risk Register have a named risk owner from the Councils Corporate Leadership Team. Strategic Risks are reviewed monthly by the risk owner and reported quarterly to the Corporate Leadership Team and the Audit Committee. The Strategic risk register lists the following details for each risk;

- Risk Contributing Factors;
- Risk Triggers;
- Risk impacts/Consequences;
- Current Internal Controls;
- Required internal controls/actions; and
- Risk Scores – current and target.

The Strategic Risks for 2017/18 are set out below:

Failure to Maintain Focus on the Councils Core Business
Lack of Capacity, Resources and Capability to Deliver the Corporate Strategy and Core Services
Failure to Ensure Partnership Working to Deliver Corporate Priorities both within and outside the Council
Failure to Prioritise and put attention on Vulnerability and Social Inclusion
Failure to Maintain an Effective Role within the Nuclear and Energy Sectors
Failure to Maintain and Effective and Statutory Role in Nationally Significant Infrastructure Projects
Uncertainty Around Non-Domestic Rates, Appeals and Business Growth
Failure to ensure the Robustness and Integrity of Business and Information Systems
Failure to Ensure Effective and Statutory Information Governance
Failure to Realise Income from Commercial and Trading Activity
Failure for Councils within the County to Prepare for the Impact on Copeland of Devolution and a Combined Authority

Annual Governance Statement

Finally, the draft Annual Governance Statement, which sets out the main features of the Council's corporate governance arrangements and its effectiveness, is presented alongside but separate to the Statement of Accounts. The Council's annual review of the effectiveness of its corporate governance arrangements provides assurance on the governance arrangements in place, the progress made against the previous significant governance issue and includes an action plan to address any significant governance issues identified through the review.

The draft Annual Governance Statement 2017/18 is available on the Council's website.

Value for Money (economy, efficiency & effectiveness)

The Council recognises its responsibility to achieve Value for Money (VFM) in service delivery. It seeks to incorporate VFM principles in delivering services by taking account of costs, quality of services and the local context.

To encourage the best use of resources and value for money chief officers seek to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning. The Council's procurement procedures are set out in the constitution also ensure that services obtain value for money from their purchasing arrangements.

All reports to Council and the Executive for decision making include the Section 151's comments, who is has overall financial responsibility, to ensure that resource and value for money have been considered in the decisions of the Council.

Operational Model

The Council received the majority of its funding from taxation - Council Tax (£4m) levied on residents and Business Rates (£2m) levied on Businesses. It also received funding from Central Government in the form of Specific Grants such as Revenue Support Grant, New Homes Bonus and Housing Benefit Administration Grant.

As well as core funding sources, the Council also relies heavily on income from fees and charges. These provide a valuable source of funding that can then be used to supplement the service delivery for the residents of Copeland.

The Council delivers a range of services as outlined above with the majority being provided by internal staffing resources. Employees are a valuable asset of the Council and as such the Council ensures its employees are well trained and empowered to achieve their best for Copeland. The Council also has partnerships with external organisations for the delivery of its leisure and cultural services.

In the light of reducing support from central government the Council has over the past few years become increasingly efficient in the way it deploys the resources it has to ensure that it can maintain an acceptable level of service delivery. It has a good history of achieving the transformational savings it requires and as such has managed to continue to set a balanced budget.

In 2017/18 the Council was able to utilise all resources (financial and non-financial) to deliver the services it provides. The non-financial performance of service delivery is outlined below and demonstrates that whilst challenging, non-financial performance was, overall, at target performance or above. This together with the delivery of these services within the approved budget mean that the Council could deliver the outcomes and value planned when the budget was set in line with the Council Plan priorities.

Cyber Attack

In August 2017, the Council was the subject of a zero-day malware ransom attack, also a brute force remote desktop attack, undetectable to anti-virus software and completely devastating to the running of the Council. The Council as a whole lost five weeks of functionality with all services affected. For example, the Council was without a financial system for eight months. This together with technical accounting staff shortages was a significant contributing factor in our ability to close our 2017/18 financial statements on time, and this delay has resulted in the late production of these 2018/19 financial statements.

The total cost of the attack (direct and indirect) will be circa £2m which would need to be met from the Council's General Reserves had the Council not received a Directive from Government to use capital resources to fund this; a total of £1m of capital receipts has been used in 2018/19.

Financial Resources Overview

On 28th February 2017 Council agreed the 2017/20 Medium Term Financial Strategy (MTFS) that underpins this.

Economic climate

The national and international economic climate, together with the Government's ongoing commitment to reducing the deficit through reductions in public sector spending, has continued to present a very challenging financial environment for the Council throughout 2017/18.

Local authorities have taken the biggest hit in terms of central government cuts since 2010. The scale of reduction, along with a degree of volatility around the phasing and timing of these cuts has made it very difficult for authorities to plan their spending priorities strategically.

The government's response to these concerns was the offer of a 4 year settlement guarantee, covering the four year period 2016/17 to 2019/20. The Council chose to take advantage of this offer and published, in line with terms of the multi-year offer, its Efficiency Plan in October 2016.

The Autumn Statement 2016, confirmed the government's commitment to the departmental spending plans set out in the 2015 Spending Review. Although reductions in departmental spending and further fiscal tightening was avoided, there was no easing of austerity for public services.

For Copeland Borough Council the main Government Grant (Revenue Support Grant) has been cut from £3.3m in 2013/14 to just £39,000 in 2019/20. Austerity for local government is expected to continue.

Medium Term Financial Strategy (Outlook)

The 2017/18 revenue budget is set within the context of the Council's Medium Term Financial Strategy (MTFS). The MTFS provides the funding framework within which the

Council seeks to achieve the priorities set out in the Corporate Strategy and highlights the key financial risks facing the Council. The current MTFS, published alongside the Council's 2019/20 budget, shows that, in order for the Council to remain financially sustainable and continue to meet its statutory obligation to deliver a balanced budget, it will need to address a funding gap of £1.3m in 2020/21.

The Council will update its MTFS during 2019/20 to reflect its key priorities and achieve financial sustainability. The MTFS will also be updated to reflect changes to forecasted funding. At present considerable uncertainty exists over the funding of local government beyond 2020/21. The Governments Fair Funding Review, reset of business rates baselines and changes to the business rates retention system all have critical implications for the distribution of funding across local government, implementation has been delayed further now until 2021.

2017/18 Revenue Budget

Revenue income and expenditure covers spending and income associated with the day to day running of services. Revenue expenditure is met from the following sources:

- Fees and charges;
- Government grants including unringfenced grants e.g. Revenue Support Grant;
- Council Tax and Business Rates; and
- Reserves - General Fund Balances and Earmarked Reserves.

The Council's original net revenue budget was set at £9,033k and is funded as follows:

Sources of Finance	£'000
Revenue Support Grant	679
Business Rates	2,178
New Homes Bonus Grant	664
PFI Grant	837
Council Tax	4,009
Council Tax: Collection Fund Surplus	141
Transfer from General Unallocated Reserves	525
	9,033

The amount of Revenue Support Grant provided to the Council through the 2017/18 Local Government Finance Settlement was £679k. This represents a reduction of £480k (41%) on the amount (£1,159k) awarded in 2016/17. The Council's share of Council tax was increased by 1.95% across all council tax valuation bands.

Capital Resources

The Revised Capital Programme for 2017/18 was £1,960k. The provisional outturn and funding for 2017/18 is £2,258k. Funding for the programme was a mixture of Capital Receipts (£807k), Revenue (£18k), Grants and Contributions (£1,273k) and Finance Leases (£160k).

Significant projects within the 2017/18 revised capital programme include:

- £703k for Disabled Facilities Grants (mandatory and discretionary);
- £224k on the Whitehaven Townscape; and
- £287k on the Beacon Museum Expansion.

Revenue Performance

The table below shows the actual expenditure for 2017/18 compared to the Council's budget and how that expenditure was financed; this excludes transfers to and from reserves and the funding of cyber recovery costs.

£'000	Budget	Actual	*Variance*
Service Area			
Corporate Services	3,108	3,989	*881*
Customer and Community Services	350	245	*(105)*
Democracy	542	452	*(90)*
Housing and Environmental Health	1,006	922	*(84)*
Planning and Economic Development	317	530	*213*
Property and Estates	1,430	1,711	*281*
Refuse and Recycling	1,820	2,106	*286*
Revenues and Benefits	250	312	*62*
All Other	(120)	(325)	*(205)*
Net Budget Requirement	**8,704**	**9,945**	***1,239***
Sources of Finance (Excluding Transfer from General Unallocated Reserves of £525k)	(8,508)	(10,481)	*(1,973)*
(Surplus) or Deficit on Provision of Services	**196**	**(538)**	***(734)***

The table above shows a Surplus on the provision of services during the year of (£539k) before transfers to and from reserves and the funding of cyber recovery costs. After these items the Unplanned Transfer to the General Reserve (the Outturn) was a £11k surplus, this is set out in the table below:

£'000	Budget	Actual	*Variance*
Impact on the General Fund			
Surplus or Deficit on Provision of Services	196	(538)	*(734)*
Transfers to / (from) earmarked reserves	330	1,979	*1,650*
Planned Use of General Fund	(525)	(664)	*(139)*
Funding of Cyber Costs from Capital Receipts (Capitalisation Directive)	0	(788)	*(788)*
Unplanned Transfer (to) / from General Reserve (outturn)	**0**	**(11)**	***(12)***

The service segments (service descriptions) reported in the Expenditure and Funding Analysis (page 23) and the Comprehensive Income and Expenditure Statement (page 25) reflects the Council's internal management reporting structure. In some cases, the segments reported are an aggregation of a number of services in accordance with the following table.

Service Segment	Aggregation of Key Services if applicable
Corporate Services	Audit. Business Support. Director of Commercial and Corporate Resources. Financial Services. Human Resources. ICT Services. Legal Services. Procurement. Corporate Health and Safety. Communications. Head of Paid Service.
Customer and Community Services	Beacon Museum. Copeland Community Fund. Customer Services. Director of Customer and Community Services. Parks and Open Spaces.
Democracy	Democratic Services. Elections.
Housing and Environmental Health	Strategic Housing. Environmental Health.
Planning and Economic Development	Building Control. Economic Development. Strategic Planning.
Property and Estates	Property and Estates
Refuse and Recycling	Refuse and Recycling
Revenues and Benefits	Revenues and Benefits
All Other	Licensing. Nuclear.

Budget reports, including the outturn position summarised above, are prepared on a statutory basis (also referred to as the funding basis) reflecting amounts chargeable to the general fund under statutory provisions. This differs from the accounting policies (accounting basis) used in preparing the financial statements in accordance with the Code of Practice on Local Authority Accounting. Details of the adjustments made to Net Expenditure Chargeable to the General Fund (GF), to arrive at the Comprehensive Income and Expenditure Statement (CIES) amounts are summarised in Expenditure and Funding Analysis (see page 23).

Financial position at the Balance Sheet date

The following table summarises the Council's financial position at 31 March 2018:

£'000	31st March 2017 (Restated)	31st March 2018	*Year on Year Change*
Long Term Assets	41,509	42,294	*785*
Current Assets	33,516	31,685	*(1,831)*
Current Liabilities	(9,471)	(9,722)	*(251)*
Long Term Liabilities	(37,986)	(32,720)	*5,266*
Net Assets	**27,568**	**31,537**	***3,969***
Usable Reserves	(14,498)	(21,134)	*(6,636)*
Unusable Reserves	(13,070)	(10,403)	*2,667*
Total Reserves	**(27,568)**	**(31,537)**	***(3,969)***

Significant balance sheet movements during 2017/18

During 2017/18:

- Current Assets reduced by (£1,831k) due to:

    - A reduction of (£5,389k) in Assets held for sale due to the sale of Harras Moor Land.
    - An increase of £2,216k in short term debtors due to This is due to increases in accrued income, council tax preceptors, Council Tax bad debt Provisions and the Cleardown of VAT.
    - a £1,249k increase in cash & cash equivalents due to Short term deposits with building societies
- Current Liabilities increased by (£251k). This was due to creditor reductions of £1,377k due to NNDR shareholder amounts. A large increase of £1,925k in provisions was due to an Increase in Business Rates Appeals Provision (Sellafield)
- There was a large decrease in Long Term Liabilities of £5,266k due to a decrease in the pensions liability from £27,274k to £22,410k. This change is largely as a result of changes in actuarial assumptions. Reducing the long term pension liability will be considered as part of the triennial review of the pension fund that will in turn impact on employer contribution rates from April 2020.
- Usable Reserves have increased by (£6,635k) primarily due to Capital Receipts (Cash sales on disposals).
- Unusable reserves reduced by £2,666k due mainly to two factors explained above; the impact of the changes in the long term assets through the revaluation reserve, this is partly offset by the change in the pension liability.

Statement of Accounts 2017/18

Valuation of non-current assets: The Council carries out a rolling programme of revaluations to ensure that Property, Plant and Equipment assets, which are required to be measured at current value, are:

- revalued at intervals of not more than five years
- reported in the balance sheet at a carrying amount that does not differ materially from that which would be determined using the assets current value at the balance sheet date.

Investment Property and Assets Held for Sale are revalued annually.

Defined Benefit Pensions Liability: The Council offers retirement pensions to its staff under a statutory scheme and also makes contributions on their behalf. Although the pension benefits are not payable until employees retire, the Council has a commitment to make the payments and must account for them in the year in which the future entitlements are earned. This commitment is compared with the pension fund assets (investments) and the net amount is included in the accounts as an asset or liability.

At 31 March 2018 the Council's net pension liability was (£22.4m) (31 March 2017: (£27.3m)). Although this sum has a significant impact on the net assets of the Council, as shown in its Balance Sheet, the deficit will be addressed by increased contributions to the scheme in future years. These increased contributions have been reflected in the Council's Medium Term Plan.

The (£4.9m) decrease in the net pension liability is underpinned by:

- a decrease in the benefit obligation of £2.3m including:
  - Services costs of (£1.7m)
  - Interest costs of (£2.4m)
  - Contributions by scheme participants of (£0.3m)
  - Actuarial losses associated with changes to financial assumptions of £3.5m.
  - Benefits paid of £3.4m reducing the obligation.
- an increase in the carrying value of the Council's share of scheme assets of £1.2m including:
  - an increase of £1.8m relating to net interest on plan assets, and
  - re-measurement gains, reflecting the a difference between the actual investment return on plan assets and the interest rate used to calculate the net interest cost included in the CIES, of £1m
  - Contributions by the employer of £1.6m
  - Contributions by scheme participants of £0.3m
  - Benefits paid of (£3.4m) reducing the plan assets.

Short and Long-term Borrowing - At 31 March 2018, the Council's external borrowing stood at £5m (31 March 2018: £5m). This relates to a Lender Option Borrower Option (LOBO) fixed rate loan. During the financial year the Council made scheduled repayments of £377k. No new borrowing was undertaken during 2018.

Revenue Reserves - At 31 March 2018, un-earmarked general fund reserves stood at £3,249k (31 March 2017: £3,902k) and earmarked revenue reserves at £10,648k (31 March 2017: £8,670k). Earmarked reserves include amounts set aside:

- to meet planned future expenditure - including budgets carried forward to meet existing commitments;
- to ring-fence unspent revenue grants where there are restrictions on use; and
- as a contingency to cushion the impact of unexpected events or transactions.

An overview of the Council's earmarked reserves is set out below:

- £2,394k PFI Reserve to smooth the cost of the PFI scheme;
- £3,963k External Resources Shortfall Reserve to meet the cost of unbudgeted changes in external funding for example from a Business rates appeal;
- £3,649k in various reserves relating to contributions for future projects;
- £642k property related reserves.

Cash flows - During 2017/18 the net increase in cash and cash equivalents (i.e. short-term highly liquid investments with maturities at the date of acquisition of three months or less) was £1,249k.

2016/17 (Restated)		2017/18
(13,348)	Net Cash Flows from Operating Activities	(2,736)
14,791	Net Cash Flows from Investing Activities	6,779
(21,289)	Net Cash Flows from Financing Activities	(2,794)
(19,846)	**Net increase / (decrease) in Cash & Cash Equivalents**	**1,249**

The net cash outflow from operating activities totalled £2,736k, compared to net cash outflow of £13,348k in 2016/17. The year on year change of £10,612k is mainly due to the decrease in creditors in 2016/17 being £13,014k but only £289k in 2017/18, a difference of £12,725k. However, reversing this has been the increase of the deficit from £1,555k to £4,829k.

The net cash inflow from investing activities totalled £6,779k, compared to net cash inflow of £14,791k in 2016/17. The year on year change of £8,012k is a result of a combination of changes. The purchase of investments has reduced by £14,990k from £34,990k in 2016/17 to £20,000k in 2017/18. The proceeds from the sale of property plant and equipment, investment property and intangible assets increased by £5,699k from 190k in 2016/17 to £5,889k in 2017/18. The proceeds from investments, however, decreased by £29,992k from £49,992k in 2016/17 to £20,000k in 2017/18.

The net cash outflow from financing activities totalled £2,794k, compared to net cash outflow of £21,289k in 2016/17. The year on year change of £18,495k is mainly due to the change in the Council Tax and NNDR adjustments from an outflow of £21,281k in 2016/17 to an outflow of £2,296k in 2017/18.

The Financial Statements - The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its financial position at 31 March 2018. The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS).

The Statement of Responsibilities for the Statement of Accounts (page 22) sets out the responsibilities of the Authority and Authority's Chief Financial Officer (Chief Finance Officer) in relation to the Statement of Accounts.

The Financial Statements, consists of:

- Single entity (Authority only) financial statements comprising:
    - Comprehensive Income and Expenditure Statement for the period (page 25)
    - Movement in Reserves Statement for the period (page 24)
    - Balance Sheet as at the end of the period (page 26)
    - Cash Flow Statement for the period (page 27)
    - Notes, comprising significant accounting policies and other explanatory information (page 2848)

- Collection Fund and related notes (page 107)

Comprehensive Income and Expenditure Statement - The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Movement in Reserves Statement - This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in the Council's reserves during the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices (Total Comprehensive Income and Expenditure) and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year following those adjustments.

Balance Sheet - The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. (i). Usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. (ii). Unusable reserves, i.e. those that cannot be applied to fund expenditure or reduce taxation. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement - This statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council is funded by way of taxation and grant income or from recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

Collection Fund - The Collection Fund statement reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the Council in relation to the collection from taxpayers and distribution to local authorities and Central Government of council tax and business rates (non-domestic rates – NDR).

Going Concern

These accounts have been prepared on the basis that the Council continues to operate as a going concern for the foreseeable future. Due to the economic and statutory environment in which local authorities operate it has been confirmed that as authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for their financial statements to be provided on anything other than a going concern basis.

Although that is the technical definition, to allow a going concern basis to be provided the Council can also clearly demonstrate that it can continue to meet its financial commitments as they occur via the delivery of its Medium Term Financial Strategy (MTFS). The usable cash reserves position (£21,134k) remains healthy and on the Balance Sheet the Current Assets position of £31,685k is higher than Current Liabilities position of £9,722k so liquidity in the short term is positive.

In preparing these Statement of Accounts, materiality has been guided by the External Auditors materiality level (£345k), but also has consideration to any item that it is thought would be of interest and significance to the reader of the accounts in the context of the activities of the Council (for example, flooding expenditure and employee remuneration).

Material events after the Balance Sheet date

Details of any material events after the Balance Sheet date are set out in Note 5 to the Financial Statements.

Further Information

Further information about the accounts is available on request from the Chief Finance Officer (and Section 151 Officer), the Copeland Centre, Catherine Street, Whitehaven, CA28 7SJ.

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The responsible officer is designated as the Chief Financial Officer, or equivalent. In this Council, that officer is the Chief Financial Officer (and Section 151 Officer);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts – a function that is delegated to the Audit and Governance Committee.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code)

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the local authority Code.

The Chief Financial Officer has also:

- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

12th October 2020

Expenditure and Funding Analysis

This analysis, which is not a Core Statement, shows how annual expenditure is used and funded from resources (Government grants, fees and charges, Council Tax and Business Rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision-making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices are presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17 (restated)				2017/18		
Net Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments between Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
2,904	37	2,941	Corporate Services	3,989	220	4,209
358	440	798	Customer and Community Services	245	1,596	1,841
699	(40)	659	Democracy	452	(1)	451
934	18	952	Housing and Environmental Health	922	617	1,539
412	110	522	Planning and Economic Development	530	275	805
1,508	981	2,489	Property and Estates	1,711	(303)	1,408
1,716	(26)	1,690	Refuse and Recycling	2,106	194	2,301
440	(38)	402	Revenues and Benefits	312	13	325
(316)	(5)	(321)	All Other	(325)	2	(323)
8,655	**1,477**	**10,132**	**Net Cost of Services**	**9,943**	**2,614**	**12,557**
(11,288)	2,711	(8,577)	Other Income and Expenditure	(10,481)	2,754	(7,727)
(2,633)	**4,188**	**1,555**	**Surplus or Deficit on Provision of Services**	**(538)**	**5,368**	**4,829**
(9,939)			**Opening General Fund Balance**	**(12,572)**		
(2,633)			Less/plus surplus or deficit on General Fund Balance in year	(538)		
			Plus Credit to the General Fund for Capitalisation Directive	(788)		
(12,572)			**Closing General Fund Balance at 31 March**	**(13,898)**		

Movement in Reserves Statement

This Statement shows the movement from the start of the year until the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in the year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Increase or Decrease line shows the statutory General Fund Balance movements in the year following those adjustments. (Note: The figures for Earmarked Reserves are merged into a single column with the General Fund Balance.

		Revenue	Capital				
	Note	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1st April 2016		**(9,939)**	**(1,408)**	**(1,438)**	**(12,785)**	**(19,636)**	**(32,421)**
Movement in reserves during 2016/17							
Total Comprehensive Income and Expenditure		1,555	-	-	**1,555**	3,298	**4,853**
Adjustments between accounting basis and funding basis under regulations	8	(4,188)	(189)	1,109	**(3,268)**	3,268	**-**
Increase or Decrease in 2016/17		**(2,633)**	**(189)**	**1,109**	**(1,713)**	**6,566**	**4,853**
Balance at 1st April 2017		**(12,572)**	**(1,597)**	**(329)**	**(14,498)**	**(13,070)**	**(27,568)**
Movement in reserves during 2017/18							
Total Comprehensive Income and Expenditure		4,829	-	-	**4,829**	(8,798)	**(3,969)**
Adjustments between accounting basis and funding basis under regulations	8	(6,156)	(5,082)	(227)	**(11,465)**	11,465	**-**
Increase or Decrease in 2017/18		**(1,326)**	**(5,082)**	**(227)**	**(6,635)**	**2,667**	**(3,969)**
Balance at 31 March 2018		**(13,899)**	**(6,679)**	**(556)**	**(21,134)**	**(10,404)**	**(31,537)**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services, arrived at using generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2016/17 (restated)					2017/18		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Note	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
2,980	(39)	2,941	Corporate Services		4,384	(175)	4,209
3,466	(2,668)	798	Customer and Community Services		4,710	(2,870)	1,841
1,012	(353)	659	Democracy		702	(251)	451
1,783	(831)	952	Housing and Environmental Health		2,465	(925)	1,539
1,141	(619)	522	Planning and Economic Development		1,339	(534)	805
3,148	(659)	2,489	Property and Estates		2,182	(774)	1,408
3,215	(1,525)	1,690	Refuse and Recycling		3,911	(1,611)	2,302
20,452	(20,050)	402	Revenues and Benefits		17,622	(17,296)	325
1,144	(1,465)	(321)	All Other		558	(880)	(323)
38,341	**(28,209)**	**10,132**	**Net Cost of Services**		**37,874**	**(25,317)**	**12,557**
1,113	(190)	923	Other Operating Income and Expenditure	12	784	-	784
1,439	(464)	975	Financing and Investment Income and Expenditure	13	2,037	(388)	1,650
-	(10,475)	(10,475)	Taxation and Non Specific Grant Income	14	-	(10,161)	(10,161)
40,893	**(39,338)**	**1,555**	**(Surplus) or Deficit on Provisions of Services**		**40,695**	**(35,866)**	**4,829**
		(2,825)	(Surplus)/Deficit on revaluation of non-current assets	10			(4,340)
		33	Impairment losses on non-current assets charged to the Revaluation Reserve	10			
		6,090	Re-measurement of the net defined benefit liability/(asset)	29			(4,458)
		3,298	**Other Comprehensive Income and Expenditure**				**(8,798)**
		4,853	**Total Comprehensive Income and Expenditure**				**(3,969)**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31st March 2016 £'000	31st March 2017 (Restated) £'000		Note	31st March 2018 £'000
39,018	36,873	Property, Plant & Equipment	20	38,359
1,569	1,569	Heritage Assets	21	1,569
2,503	2,558	Investment Property	22	2,307
54	31	Intangible Assets		7
472	478	Long Term Debtors	25	52
43,616	**41,509**	**Long Term Assets**		**42,294**
34,984	19,982	Short Term Investments	34	20,067
666	5,534	Assets Held for Sale	24	145
57	47	Inventories		56
2,791	3,109	Short Term Debtors	25	5,325
24,734	4,844	Cash and Cash Equivalents	26	6,093
63,232	**33,516**	**Current Assets**		**31,685**
(44)	(8,937)	Short Term Creditors	27	(7,200)
(42,754)	(534)	Provisions	28	(2,461)
(394)	-	Short Term Borrowing	34	(61)
(43,192)	**(9,471)**	**Current Liabilities**		**(9,722)**
(32)	-	Provisions		-
(5,075)	(5,061)	Long Term Borrowing	34	(5,000)
(20,703)	(27,274)	Net Pensions Liability	29	(22,410)
(5,425)	(5,651)	Other Long Term Liabilities	32,33,34	(5,310)
(31,235)	**(37,986)**	**Long Term Liabilities**		**(32,720)**
32,421	**27,568**	**Net Assets**		**31,537**
12,785	**14,498**	**Usable Reserves**	9	(21,134)
19,636	**13,070**	**Unusable Reserves**	10	(10,403)
32,421	**27,568**	**Total Reserves**		**(31,537)**

12th October 2020

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from the operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2016/2017 £'000	2016/2017 (Restated) £'000		Note	2017/2018 £'000
(1,555)	**(1,555)**	**Net surplus or (deficit) on the provision of services**		**(4,829)**
(12,264)	(10,852)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	36	9,238
(205)	(941)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	36	(7,145)
(14,024)	**(13,348)**	**Net cash flows from operating activities**		**(2,736)**
14,041	14,791	Investing Activities	37	6,779
(19,863)	(21,289)	Financing activities	38	(2,794)
(19,846)	**(19,846)**	**Net increase or (decrease) in cash and cash equivalents**		**1,249**
24,690	24,690	Cash and cash equivalents at the beginning of the reporting period		4,844
4,844	**4,844**	**Cash and cash equivalents at the end of the reporting period**		**6,093**

Notes to the Financial Statements

1. Accounting Policies

General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. The Statement must be prepared in accordance with proper accounting practices which primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) supported by International Financial Reporting Standards (IFRS), and statutory guidance issued under section 21 of the Local Government Act 2003. The financial statements are prepared on a going concern basis.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- Interest payable on borrowings and receivable on investments is accounted for respectively as expenditure and income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract; and

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in less than 3 months from the date of acquisition and that are readily converted to known amounts of cash with insignificant risk of change of value.

In the Cash Flow Statement, cash and equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policy or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of the transactions, or other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments - its Private Finance Initiative (PFI) liability, Lender Option Borrower Option (LOBO) fixed rate loan and its short-term investments - at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – unobservable inputs for the asset or liability.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Council Tax and Non-Domestic Rates

Billing authorities such as the Council act as agents, collecting council tax and non-domestic rates (NNDR) on behalf of the major preceptors (including the Government for NNDR) and, as principals, collecting council tax and NNDR for themselves. Billing authorities are required by statute to maintain a separate fund (called the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NNDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and the Government share proportionately the risk and the reward that the amount of Council Tax and NNDR collected could be less or more than predicted.

Accounting for Council Tax and NNDR

The Council Tax and NNDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NNDR that must be included in the Council's General Fund. The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement. The Balance Sheet includes the Council's share of the end of year balances in respect of Council Tax and NNDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Employee Benefits

Benefits Payable During Employment - Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the salary rate applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits - Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits, and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits - The majority of employees of the Council are members of the Local Government Pensions Scheme administered by Cumbria County Council. The scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cumbria pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% based on the market yields at the reporting date of high quality corporate bonds.
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
- quoted securities – current bid price;
- unquoted securities – professional estimate;
- unitised securities – current bid price; and
- property – market value.

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:
    - Current service cost - the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment the effect of which relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
    - Net interest on the defined benefit liability (asset), i.e. net interest expense for the Council (the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement). This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period because of contribution and benefit payments.
- Remeasurements comprising:

- The return on plan assets (excluding amounts included in the net interest on the defined benefit liability (asset)) charged to the Pension Reserve as Other Comprehensive income and Expenditure

- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

• In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits - The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

• those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and

• those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Instruments

Financial Liabilities - Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio which involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial assets - Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

The Council does not have any available-for-sale assets.

Loans and Receivables - Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans which the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific for that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As non-financial assets, investment properties are measured at highest and best use. Properties are not depreciated but are valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account; and sale proceeds greater than £10,000 to the Capital Receipts Reserve.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where the fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases - Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease’s inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property applied to write down the lease liability; and
- A finance charge, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases - Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases - Where the Council grants a finance lease over a property or an item of plant or equipment the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss (i.e. netted off against the carrying value of the asset at the time of disposal) matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premium received) and

- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

Operating Leases - Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Overheads and Support Services

The costs of overheads and support services are charged to Corporate Services.

Heritage Assets - Tangible and Intangible Heritage Assets (described here as heritage assets)

The Council's Heritage Assets are held at the Beacon Museum, the Museum Resource Centre at Haig Enterprise Park, the Museum Store at Moresby and the Copeland Centre. They are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the borough's history and local area. Heritage Assets are recognised and measured in accordance with the Council's accounting policies for property, plant and equipment, although some of the measurement rules are relaxed as detailed below. The collections of assets are accounted for as follows.

- Civic Regalia are reported in the Balance Sheet at insurance valuation, based on market value.

- The Copeland Collection consists of pictures prints and sculptures. 67 lower value items are reported in the Balance Sheet at historic cost and 5 higher value items at insurance valuation as at November 2012. There is no cost information for the remaining 14 low value items, and the Council considers that the cost of valuing the items would be disproportionate in comparison to the benefit to the users of the Council's financial statements. The Council does not recognise those items on the Balance Sheet.

- The Museum Collection comprises fine and decorative arts, social history, archaeology, photographs, prints and natural science. Items with an estimated value of £500 or more are carried in the Balance Sheet at insurance valuation as at November 2012. The remaining low value items are not recognised in the Balance Sheet for the reason given for the low value items in the Copeland Collection.

If possible, all valued items are revalued at least once every 5 years. Any acquisition, impairment or disposal of Heritage Assets is accounted for in accordance with the policies in respect of property, plant and equipment. The Council considers that its Heritage Assets have indeterminate lives and hence does not consider it appropriate to charge deprecation.

Property, Plant and Equipment (PPE)

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and which are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition - Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be reliably measured. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (e.g. repairs and maintenance) is charged as an expense when it is incurred. The de-minimis level for recognition of capital expenditure is £6,000.

Measurement - Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item(s) and restoring the site on which it is or they are located.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be the fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income and Expenditure line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in a Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet, using the following measurement bases:

- infrastructure, vehicles, plant and equipment – depreciated historical cost
- community assets, assets under construction – historical cost
- surplus assets – current value determined as fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of current value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of current value. Where non-property assets that have short useful lives or low values (or both) depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying value is not materially different from their current value at the year-end, but as a minimum every 5 years.

Increases in valuations of property, plant and equipment are matched by credits to the Revaluation Reserve to recognise unrealised gains, unless they arise from the reversal of a loss previously charged to a service when the gains are credited to the Surplus or Deficit on the Provision of Services up to the level of the previous loss.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the

relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Impairment losses are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up the amount of the accumulated gains)

- Where there is no or an insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Other buildings – straight line allocation over the remaining life of the property as estimated by the valuer

- Vehicles, plant, furniture and equipment – straight-line allocation over the estimated useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.

- Infrastructure – straight-line allocation from 10 to 20 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The de minimis value of an item, below which components are not depreciated separately, is £900,000.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classed as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying value of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services where the responsibility for making available the non-current assets needed to provide the service passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI scheme and, as through an option to purchase (at market value) the residual interest in the non-current asset at the end of the contract, the Council is deemed to control significant residual interest in the non-current asset, the Council carries it on its Balance Sheet.

The original recognition of the asset at fair value, based on the cost of construction, was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts paid to the PFI operator each year are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator. The profile of write-downs is calculated using the same principles as for a finance lease
- lifecycle replacement costs – either recognised immediately as additions to Property, Plant and Equipment on the Balance Sheet when the relevant works are carried out or, if required, a prepayment is posted to the Balance Sheet for the lifecycle costs payable in that year and then recognised as additions to PPE when the relevant works are carried out. Where it is not possible to evidence that lifecycle replacements costs meet the capital expenditure definition, then they are treated as revenue.

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision or part provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Assets and Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the financial statements, but disclosed in a note to the accounts.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet, but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, and employee and retirement benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset is charged as expenditure in the year to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer from the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement then reverses out the amounts charged so there is no impact on the level of Council Tax.

Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty’s Revenue and Customs. VAT receivable is excluded from income.

Rounding

The Council accepts that minor rounding differences of between £1k and £2k may occur within its Statements of Accounts, these amounts are not material and the Council does not intend to alter any totals where this occurs.

2. Critical Judgements in applying accounting policies

In applying accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those that involve uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council leases a number of vehicles through Essential Fleet Services Limited. The leases vary in terms so each individual contract is assessed, using best judgement against a set of criteria, to determine if the lease falls into the category of finance or operating lease. This in turn determines if the vehicle is included on the Balance Sheet within Property, Plant and Equipment or charged to service lines within the Comprehensive Income and Expenditure Statement. If a lease is deemed to be a finance lease, the Council has estimated an implied interest rate to calculate interest and capital payments.

- The Council also entered into a PFI agreement with London Regional and the agreement was assessed to determine whether it also fit the criteria of Finance Lease or Operating Lease. It was deemed to be a Service Concession arrangement under IFRIC12 and, as defined in the CIPFA Code of Practice, so is therefore included on the Balance Sheet within Property, Plant and Equipment.

- The Council sublet some areas of the Copeland Centre administrative building during the year. It is deemed that the areas leased do not comprise investment property under International Accounting Standard (IAS) 40 because it is incidental income rather than having been bought to lease out.

- The original agreement for the annual amount to be paid by the Council to the provider for occupation of Copeland Centre included assumptions around the amounts of expenditure, both revenue and capital, that would be needed over the lifecycle of the building. These were estimates across a 25-year period, rather than definite plans, with the underlying commitment being to maintain the building in its required state. Technical accounting adjustments are required each year in respect of the capital element of these lifecycle costs. Up until 2015/16, these were of limited importance, because neither the amounts in the original schedule nor the level of actual capital expenditure were material. In 2017/18, the figure in the original schedule was £142,713 and only a relatively small amount of expenditure has been made by the provider. A judgement has therefore had to be made as to whether or not the payment of the unitary charge effectively included a prepayment in respect of these capital works, i.e. it should be assumed that they will occur at some future date, or the view taken that there is only a limited likelihood that they will occur and that this notional element in the overall payment should be treated on the same basis as the general service charge. In coming to a decision on this, the following have been considered:

    - Over the lifetime of the agreement to date, actual capital expenditure has remained low, at the level necessary to keep building in required state rather than carrying out major works.

    - No plans have been notified by the provider of intention to carry out such major works in the medium-term future.

    - There are current refurbishment plans, which stand outside the main agreement, which will themselves potentially obviate the need for works that might have been required later.

  A further consideration was that the treatment chosen for what is a technical accounting issue (the actual amounts payable by the Council are not affected) should be one which aids understanding of the underlying substance of the transactions by users of the Statement of Accounts. For a combination of these reasons, the judgement made has been to treat the payment on the same basis as the general service charge.

- There is a high degree of uncertainty about future levels of funding for local government, and the Council remains at risk from the localisation of both

Council Tax and National Non-Domestic Rates (NNDR), both of which may result in cost to the Council.

3. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- The pension liability to the Council at 31 March 2018 has been valued by the actuary to Cumbria Pension Fund using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about life expectancy, employee turnover rates, inflation and pay growth. The net pension liability at 31 March 2018 was £22.410m. If the assumptions made prove incorrect, there will be significant changes to the pension liability. A sensitivity analysis of key assumptions made is included at page 85.

- Property, Plant and Equipment is depreciated over its estimated useful life. Judgement is required to determine what that useful life is and is based upon assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. Under the current economic climate, it is possible that some assets will not be maintained to the current standard with some assets being disposed of or mothballed. Assets could also be reclassified as new ways are found to utilise some properties. This could result in changes to the value of assets held and the amount of depreciation or impairment being charged to the Comprehensive Income and Expenditure Statement. It is estimated that, should the estimated useful lives reduce by one year, depreciation would increase by £143,497.

- When the fair value of financial assets and liabilities cannot be measured based on quoted prices in active markets (that is, Level 1 inputs) their value is measured using suitable valuation techniques (for example, quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based upon observable data, however where this is not possible, judgement considering uncertainty and risk is required in establishing fair values. Changes in the assumptions used could affect the fair value of the Council's assets and liabilities. In the absence of Level 1 inputs, the council has appointed valuers who are engaged to identify the most appropriate valuation techniques to determine fair value.

- The PFI contract was assessed at the inception of the lease using estimated interest rates and RPI forecasts. As time elapses, there will be variances from those originally forecast and the actual interest rates.

- The Council has used its best judgement to provide for refunds of non-domestic (business) rates in the event of successful appeals by ratepayers (see page 80). Estimates have been made using local information and professional advice. The total provision stands at £5,850,586 at 31 March 2018, the Council’s share of which is £2,340,235.

4. Material items of income and expense

Material Items within the Comprehensive Income and Expenditure Statement (CIES) are all items that are not disclosed separately elsewhere in the CIES, these include:

- Housing Benefits - The Council has incurred spending of £16.358m on housing benefits in 2017/18 (£19.265m in 2016/17) and received Government grants of £15.884m to meet this cost (18.856m in 2016/17).

- Non Domestic Rates - The Council received Non Domestic Rates of £13.382m under the rate retention system in 2017/18 (£18.939m in 2016/17). This was offset by a payment to the Government, under the system, of £10.994m in respect of a tariff and levy (£14.594m in 2016/17).

- Council Tax - The Council received £5.067m from the Collection Fund as its share of Council Tax receipts in 2017/18 (£4.851m in 2016/17).

- Pension Deficit Payment - The Council paid £0.628m in 2017/18 (£0.687m in 2016/17) into the Local Government Pension Scheme, in respect of the pension fund deficit.

- PFI Charges - The Council paid unitary charges of £1.422m in 2017/18 (£1.544m in 2016/17) relating to the Copeland Centre.

- The Council sold land at Harras Moor for a total consideration of £6.094m. Transfer of title for a portion of this asset took place on 13 April 2017 for a consideration of £4.863m. Transfer of title for the remaining portion took place on 24 November 2017 for a consideration of £1.231m.

- Following receipt of a Statutory Capitalisation Directive from Government £0.788m of capital receipts was used to meet the costs of the cyber-attack in 2017/18.

- Deferred Capital receipts totalling £0.424m have been written off as they are no longer expected to be received.

The Council receives other grant income that is material, this is set out in Note 15.

5. Events after the reporting period

The Statement of Accounts was authorised for issue on 1 February 2019 by Steven Brown, Chief Finance Officer (and Section 151 Officer). Events taking place after this date are not reflected in the financial statements or notes. The financial statements and notes have not been adjusted for the following events which took place after 31 March 2018 as they provide information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date:

- The decisions of the Court of Appeal in the Sargeant/McCloud cases (generally referred to for the LGPS as "McCloud") have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination. At this stage it is uncertain whether or not there will be an issue for the LGPS and its employers, nor is it clear what the exact extent would be of any changes required, but this note sets out the approximate effects of the costs if the transitional protections need to be extended to younger members. The Actuary has calculated the estimated impact of the potential effect of McCloud as at 31 March 2018 based on the individual member data as at 31 March 2016:

    - Additional past service liabilities as at 31 March 2018: £312,000

    - Additional projected service cost for the year commencing 1 April 2018: £54,000

- The UK left the EU on 31 January 2020 and is now in an 11-month transition period. During this period the UK effectively remains in the EU's customs union and single market and continues to obey EU rules.

- The impact of the on-going COVID-19 pandemic will continue to be assessed up until the publication of the audited accounts.

- On 31st March 2020 the Council terminated its PFI contract and the building legally transferred to the Council. The Council funded the purchase with a Capital Grant provided by Government, paying all future debt liabilities on relating to the building. The Copeland Centre is already recognised on the Council's Balance Sheet however, liabilities set out in note 32 as at 31st March 2017 totalling £4,994k, will not be required to be paid.

6. Note to the Expenditure and funding analysis

Segment reporting aggregation

The segments (service descriptions) reported in the Expenditure and Funding Analysis (page 23) and the Comprehensive Income and Expenditure Statement (page 25) are based on the Council's internal management reporting. In some cases, the segments reported are an aggregation of a number of services in accordance with the following table.

Segment	Aggregation
Corporate Services	Audit. Business Support. Director of Commercial and Corporate Resources. Financial Services. Human Resources. ICT Services. Legal Services. Procurement. Corporate Health and Safety. Communications. Head of Paid Service.
Customer and Community Services	Beacon Museum. Copeland Community Fund. Customer Services. Director of Customer and Community Services. Parks and Open Spaces.
Democracy	Democratic Services. Elections.
Housing and Environmental Health	Strategic Housing. Environmental Health.
Planning and Economic Development	Building Control. Economic Development. Strategic Planning.
Property and Estates	None.
Refuse and Recycling	None.
Revenues and Benefits	None.
All Other	Licensing. Nuclear.

Adjustments between Funding and Accounting Basis 2017-18				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1)**	**Net Change for Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Corporate Services	94	118	8	220
Customer and Community Services	1,568	23	5	1,596
Democracy	-	1	(2)	(1)
Housing and Environmental Health	177	14	427	617
Planning and Economic Development	262	13	1	275
Property and Estates	(303)	1	-	(303)
Refuse and Recycling	167	24	4	194
Revenues and Benefits	-	11	2	13
All Other	-	1	1	2
Net Cost of Services	**1,964**	**205**	**445**	**2,614**
Other income and expenditure from the Expenditure and Funding Analysis	(516)	650	2,620	2,754
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**1,447**	**855**	**3,065**	**5,368**

Adjustments between Funding and Accounting Basis 2016-17				
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustments for Capital Purposes (Note 1)**	**Net Change for Pensions Adjustments (Note 2)**	**Other Differences (Note 3)**	**Total Adjustments**
	£'000	**£'000**	**£'000**	**£'000**
Corporate Services	46	5	(14)	37
Customer and Community Services	502	(57)	(5)	440
Democracy	(23)	(15)	(2)	(40)
Housing and Environmental Health	36	(33)	15	18
Planning and Economic Development	143	(31)	(2)	110
Property and Estates	986	(5)	-	981
Refuse and Recycling	37	(68)	5	(26)
Revenues and Benefits	-	(39)	1	(38)
All Other	(3)	(2)	-	(5)
Net Cost of Services	**1,724**	**(245)**	**(2)**	**1,477**
Other income and expenditure from the Expenditure and Funding Analysis	(52)	726	2,037	**2,711**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**1,672**	**481**	**2,035**	**4,188**

Notes

1. **Adjustments for Capital Purposes** - This column adds in depreciation and impairment and revaluation gains and losses in the services line, together with the costs and income associated with Revenue Expenditure Funded from Capital Under Statute (see glossary for definition) and for:

- Other Operating Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written out for those assets.

- Financing and Investment Income and Expenditure – the statutory charges for capital financing – Minimum Revenue Provision and revenue contributions to capital expenditure are deducted from other income and expenditure, as these are not chargeable under generally accepted accounting practices.

- Taxation and Non-specific Grant Income and Expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practice. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

2. **Net Change for Pensions Adjustments -** The net change for the removal of pension contributions and the addition of employee benefits pension-related expenditure and income under generally accepted accounting practice:

- for services - this represents the removal of the employer's pension contributions made by the Council as allowed by statute and the replacement by current service costs and past service costs.

- for Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

3. **Other Differences** - Other differences between amounts debited or credited to the Comprehensive Income and Expenditure Statement and amounts payable or receivable to be recognised under statute:

- for Financing and Investment Income and Expenditure, adjustments to the General Fund for the timing differences for premiums and discounts.

- for Taxation and Non-specific Grant Income and Expenditure, the difference between what is chargeable under statutory regulations for Council Tax and National Non-Domestic Rates projected to be received at the start of the year and the income recognised under generally accepted accounting practice in the Code. This is a timing difference, which will be brought forward in future Surpluses or Deficits on the Collection Fund.

7. Expenditure and income analysed by nature

The Council's expenditure and income is analysed as follows:

Expenditure/Income	2016/17 £'000	2017/18 £'000
Expenditure		
Employee benefits expenses	8,622	9,167
Other services expenses	28,702	26,351
Depreciation, amortisation and impairment	1,751	3,067
Interest payments	734	1,017
Precepts and levies	877	917
Decrease in fair value of investment properties	(72)	338
Gain/Loss on the disposal of assets	34	(162)
Total Expenditure	**40,648**	**40,695**
Income		
Fees, charges and other service income	(9,031)	(8,746)
Increase in fair value of investment properties	-	(85)
Interest and Investment income	(209)	(133)
Income from council tax and non-domestic rates	(7,151)	(6,597)
Government grants and contributions	(22,702)	(20,304)
Total Income	**(39,093)**	**(35,865)**
Surplus or Deficit on the Provision of Services	**1,555**	**4,829**

8. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the usable reserves that the adjustments are made against.

General Fund Balance - The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment at the end of the financial year.

Capital Receipts Reserve - The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from use other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied - The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met any conditions that would otherwise require repayment of the monies, but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2017-18	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments to Revenue Reserves				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions Reserve)	(864)	-	-	864
Financial instruments (transferred to the Financial Instruments Adjustments Account)	51	-	-	(51)
Council tax and NNDR (transfers to or from Collection Fund Adjustment Account)	(1,991)	-	-	1,991
Holiday Pay (transferred to the Accumulated Absences Reserve)	(9)	-	-	9
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	(2,845)	(5,889)	-	8,734
Total Adjustments to Revenue Resources	**(5,658)**	**(5,889)**	**-**	**11,547**
Adjustments between Revenue and Capital Resources				
Revenue expenditure funded by capital receipts under statute	(788)	807	-	(19)
Transfer of capital grants to the capital grants unapplied accounts	258	-	(258)	-
Write off of loan advances (transferred from the Deferred Capital Receipts Reserve)	(477)	-	-	477
Statutory Provision for the repayment of debt (transfer to the Capital Adjustment Account)	493	-	-	(493)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	18	-	-	(18)
Total Adjustments between Revenue and Capital Resources	**(496)**	**807**	**(258)**	**(53)**
Adjustments to Capital Resources				
Application of capital grants to finance capital expenditure	-	-	31	(31)
Total Adjustments to Capital Resources	**-**	**-**	**31**	**(31)**
Total Adjustments	**(6,154)**	**(5,082)**	**(227)**	**11,463**

2016-17	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments to Revenue Reserves				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pensions costs (transferred to (or from) the Pensions Reserve)	(481)	-	-	**481**
Financial instruments (transferred to the Financial Instruments Adjustments Account)	15	-	-	**(15)**
Council tax and NNDR (transfers to or from Collection Fund Adjustment Account)	(2,037)	-	-	**2,037**
Holiday Pay (transferred to the Accumulated Absences Reserve)	16	-	-	**(16)**
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (charged to the Capital Adjustment Account)	(1,940)	-	-	**1,940**
Total Adjustments to Revenue Resources	**(4,427)**	**-**	**-**	**4,427**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	190	(190)	-	-
Payments to the Government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1)	1	-	-
Transfer of capital grants to the Capital Grants Unapplied Account	80	-	(80)	-
Write off and impairment of loan advances (transferred from the Deferred Capital Receipts Reserve)	(30)	-	-	30
Total Adjustments between Revenue and Capital Resources	**239**	**(189)**	**(80)**	**30**
Adjustments to Capital Resources				
Application of capital grants to finance capital expenditure	-	-	1,189	(1,189)
Total Adjustments to Capital Resources	**-**	**-**	**1,189**	**(1,189)**
Total Adjustments	**(4,188)**	**(189)**	**1,109**	**(3,268)**

9. Usable reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement (page 24) and Note 8.

10. Unusable reserves

Unusable Reserves	As at 31 March 2017 £'000	As at 31 March 2018 £'000
Revaluation Reserve	(23,150)	(22,422)
Deferred Capital Receipts Reserve	(629)	(152)
Capital Adjustment Account	(15,319)	(12,212)
Financial Instruments Adjustment Account	51	-
Collection Fund Adjustment Account	(1,384)	607
Pensions Reserve	27,274	23,680
Accumulated Absences Account	87	96
Total Unusable Reserves	**(13,070)**	**(10,403)**

Revaluation Reserve - The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost; used in the provision of services and the gains are consumed through depreciation; or disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance of the Capital Adjustment Account.

As at 31 March 2017 £'000	Revaluation Reserve	As at 31 March 2018 £'000
(20,916)	Balance at 1 April	**(23,150)**
(3,313)	Upward revaluation of assets	(6,047)
521	Downward revaluation of assets and impairment losses not charged to the Surplus or Deficit on the Provision of Services	1,707
(2,792)	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(4,340)**
472	Difference between fair value and historical cost depreciation	507
86	Accumulated gains on assets sold, transferred or scrapped	4,561
-	Revaluation balances on assets reclassified as investment properties	-
558	Amount written off to the Capital Adjustment Account	**5,068**
(23,150)	**Balance at 31 March**	**(22,422)**

Deferred Capital Receipts Reserve - The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed up by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

As at 31 March 2017 £'000	Deferred Capital Receipts Reserve	As at 31 March 2018 £'000
(659)	**Balance at 1 April**	**(629)**
-	Amounts written off	477
30	Provision for irrecoverable amounts	-
(629)	**Balance at 31 March**	**(152)**

Capital Adjustment Account - The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

The account contains accumulated gains and losses on investment properties.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before the 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

As at 31 March 2017 £'000	Capital Adjustment Account	As at 31 March 2018 £'000
(15,512)	**Balance at 1 April**	**(15,319)**
	Reversal of Items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
1,788	Charges for depreciation and impairment of non-current assets	1,949
(60)	Revaluation Losses on Property Plant and Equipment charged to the CIES	1,094
23	Amortisation of intangible assets	24
788	Revenue Expenditure Funded from Capital Under Statute	1,732
224	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	5,728
2,763		**10,527**
(558)	Adjusting amounts written out of the Revaluation Reserve	(5,068)
2,205	**Net written out amount of the cost of non-current assets consumed in the year**	**5,459**
	Capital Financing applied in the year:	
-	Use of the Capital Receipts Reserve to finance new capital expenditure	(807)
(751)	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,256)
(1,189)	Application of grants to capital financing from the Capital Grants Unapplied Account	(31)
-	Other	-
-	Statutory Minimum Revenue Provision for the financing of capital investment charged against the General Fund balance	(493)
-	Capital expenditure charged against the General Fund	(16)
(1,940)		**(2,603)**
(72)	Movement in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	251
(15,319)	**Balance at 31 March**	**(12,212)**

Financial Instruments Adjustment Account - The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expense relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans, which are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund Balance in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

As at 31 March 2017 £'000	Financial Instruments Adjustment Account	As at 31 March 2018 £'000
66	**Balance at 1 April**	**51**
(15)	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(51)
51	**Balance at 31 March**	**-**

Collection Fund Adjustment Account - The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Non-Domestic Rates income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers and business ratepayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31 March 2017 £'000	Collection Fund Adjustment Account	As at 31 March 2018 £'000
(3,421)	**Balance at 1 April**	**(1,384)**
2,037	Amount by which Council Tax and Non-Domestic Rates income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax and Non-Domestic Rates income calculated for the year in accordance with statutory requirements	1,991
(1,384)	**Balance at 31 March**	**607**

Pensions Reserve - The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pension for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

As at 31 March 2017 £'000	Pensions Reserve	As at 31 March 2018 £'000
20,703	**Balance at 1 April**	**27,274**
6,090	Re-measurements of the net defined benefit liability/asset	(4,458)
1,865	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,487
(1,384)	Employer's pensions contributions and direct payments to pensioners payable in the year	(1,623)
27,274	**Balance at 31 March**	**23,680**

Accumulated Absences Account - The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year (e.g. annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund Balance be neutralised by transfers to or from the account.

As at 31 March 2017 £'000	Accumulated Absences Account	As at 31 March 2018 £'000
103	**Balance at 1 April**	**87**
(103)	Settlement or cancellation of accrual made at the end of the preceding year	(87)
87	Amounts accrued at the end of the current year	96
87	**Balance at 31 March**	**96**

11. Transfers to / from earmarked reserves

This note sets out the amounts set aside from the General Fund Balance in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund expenditure in 2017/18.

Earmarked Reserve	Balance as at 31 March 2016 £'000	Transfers Out 2016/17 £'000	Transfers In 2016/17 £'000	Balance as at 31 March 2017 £'000	Transfers Out 2017/18 £'000	Transfers In 2017/18 £'000	Balance as at 31 March 2018 £'000
Corporate							
Delivering Differently Fund (transformation fund)	**654**	(384)	6	**276**	(204)	-	**72**
Budget Carry Forwards	**8**	(7)	-	**1**	-	-	**1**
External Resources Shortfall	**-**	-	2,300	**2,300**	-	1,663	**3,963**
Commercial and Corporate Resources							
Information Technology	**210**	-	10	**220**	(10)	-	**210**
Asset and Land Management	**100**	(3)	-	**97**	-	-	**97**
PFI Reserves	**2,077**	(7)	171	**2,241**	-	153	**2,394**
Coastal Management	**200**	-	-	**200**	-	-	**200**
Repair and Maintenance	**33**	-	236	**269**	-	11	**280**
Insurance	**70**	-	-	**70**	-	-	**70**
Budget Carry Forwards	**555**	(555)	35	**35**	-	267	**302**
Customer and Community Services							
Revenues and Benefits	**150**	-	-	**150**	-	-	**150**
Welfare Support	**-**	-	-	**-**	-	126	**126**
Housing	**56**	-	203	**259**	(36)	10	**233**
The Beacon (museum 4003)	**196**	-	40	**236**	(156)	-	**80**
Refuse Collection and Recycling(des of)	**112**	-	5	**117**	(117)	5	**5**
Car Parks	**151**	-	20	**171**	-	20	**191**
Crematorium	**241**	-	85	**326**	-	36	**362**
Knotweed Treatment	**19**	(1)	-	**18**	-	-	**18**
Elections	**77**	(22)	169	**224**	-	102	**326**
Budget Carry Forwards	**532**	(532)	391	**391**	(391)	407	**407**
Economic Growth							
Planning	**115**	-	-	**115**	(56)	71	**130**
Development and Building Control	**15**	-	-	**15**	-	-	**15**
Buildings	**17**	-	-	**17**	-	-	**17**
Coastal Park	**44**	-	-	**44**	-	-	**44**
Enabling Growth Strategy	**49**	-	-	**49**	-	-	**49**
Nuclear Activities	**487**	(66)	371	**792**	(76)	150	**866**
Localism Grants	**-**	-	-	**-**	-	39	**39**
Budget Carry Forwards	**29**	(29)	37	**37**	(73)	37	**1**
Total	**6,197**	**(1,606)**	**4,079**	**8,670**	**(1,119)**	**3,097**	**10,648**

12. Other operating income and expenditure

2016/17 £'000	Other Operating Income and Expenditure	2017/18 £'000
877	Parish council precepts	917
27	Pension administrative expenses	29
18	(Gain) Loss on Disposal of Fixed Assets	(162)
922	**Total**	**784**

13. Financing and investment income and expenditure

2016/17 £'000	Financing and Investment Income and Expenditure	2017/18 £'000
733	Interest Payable and similar charges	1,017
699	Pension interest cost and expected return on pensions assets	621
(209)	Interest receivable and similar income	(133)
(248)	Income and expenditure in relation to investment properties and changes in their fair value	145
975	**Total**	**1,650**

14. Taxation and nonspecific grant income

2016/17 £'000	Taxation and Non Specific Grant Income	2017/18 £'000
(4,866)	Council tax income	(5,044)
(2,285)	Non domestic rates	(1,553)
(3,309)	Non-ring fenced government grants	(2,957)
(15)	Capital grants and contributions	(607)
(10,475)	**Total**	**(10,161)**

15. Grant income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2016/17 and 2017/18.

Credited to Taxation and Non Specific Grant Income	2016/17 £'000	2017/18 £'000
Council Tax 2nd Home Discount Grant	-	-
Revenue Support Grant	(1,159)	(678)
PFI Grant	(837)	(837)
Capital Grants and Contributions	(15)	(607)
New Home Bonus Grant	(699)	(670)
Non-Domestic Rates Relief Grants	(353)	(680)
New Burdens Grant	(59)	(53)
Other Grants	(58)	(39)
Total	**(3,180)**	**(3,564)**
Credited to Services	**£'000**	**£'000**
Council Tax 2nd Home Discount Grant	(144)	(155)
Rent Allowance Subsidy	(18,422)	(15,887)
Administration Grants	(415)	(396)
Social Investment Funding	(500)	(566)
Revenue Expenditure Funded from Capital	(816)	(908)
Community Housing Fund	(194)	-
Other Grants	(292)	(590)
Total	**(20,783)**	**(18,502)**

16. Trading Operations

The Council operates a number of trading units, which are required to operate in a commercial environment and maintain a balanced budget by generating income from third parties; these are included in service expenditure within the Comprehensive Income & Expenditure Statement. Details of those units with a turnover of over £100,000 are as follows:

Charged to Net Cost of Services		2016/17 £'000	2017/18 £'000
The Council operates pay and display car parks where the running costs include rates, electricity and water charges, maintenance of ticket machines and car parking orders. The operation recovers its costs apart from capital charges, which are mitigated through the Movement in Reserves Statement.	Turnover	(452)	(445)
	Expenditure	633	453
	(Surplus)/deficit	**181**	**8**
The Council collects and disposes of waste collected from commercial and non-domestic properties. A charge per collection is made.	Turnover	(275)	(319)
	Expenditure	329	285
	(Surplus)/deficit	**54**	**(34)**

17. Officers' remuneration

The remuneration of the Council's senior employees

Post Holder information	Note	Year	Salary, Fees & Allowances	Expenses	Benefits in Kind	Total Remuneration excluding Pension	Pension Contributions	Total Remuneration including Pension
Managing Director		2017/18	97,505	41	72	**97,618**	14,622	**112,240**
		2016/17	91,886	20	197	**92,103**	11,019	**103,122**
Director of Commercial and Corporate Resources	1	2017/18	92,984	5	-	**92,989**	-	**92,989**
		2016/17	-	-	-	**-**	-	**-**
Director of Customer & Community Services		2017/18	77,644	76	441	**78,161**	11,650	**89,811**
		2016/17	75,750	8	279	**76,037**	9,393	**85,430**
Total		2017/18	**268,133**	**122**	**513**	**268,768**	**26,272**	**295,040**
		2016/17	**167,636**	**28**	**477**	**168,140**	**20,412**	**188,552**

Notes

1. The post of Director of Resources and Strategic Commissioning was redesignated Director of Commercial and Corporate Resources in November 2015 and was covered by an interim resource for the year ended 31 March 2017 at a cost to the Council of £149,316.

In addition to Senior Officers, only one officer received over £50,000 in remuneration for the year 2017/18. This is the Property and Estates Manager, whose remuneration exceeds £50,000 by virtue of redundancy payment, falling into the remuneration band £55,000-£59,999. No other Council employees received more than £50,000 in remuneration for the year (excluding employer's pension contributions) in 2016/17 or 2017/18

18. Members' allowances

The Council paid the following amounts to Members of the Council during the year.

	2016/17 (Restated) £'000	2017/18 £'000
Allowances	253	277
Expenses	8	9
Total	**261**	**286**

The figures for 2016/17 have been restated as in the audited accounts for the year ended 31 March 2017 the Mayor was excluded from these figures. The Local Authorities (Elected Mayor and Mayor's Assistant)(England) Regulations 2002 state that the mayor is a member therefore it should be included in the above figures.

19. External audit costs

During the year, the following fees relating to external audit and inspection performed by Grant Thornton UK LLP were payable.

	2016/17 £'000	2017/18 £'000
Fees payable for the certification of grant claims and returns	14	15
Fees payable with regard to external audit services carried out by the appointed auditor	98	54
Total	**112**	**69**

The 2016/17 are actual figures, with the initial planned figures being £53,667 for external audit fees and £12,038 for fees for the certification of grant claims and returns.

20. Property, Plant and Equipment

Movements in 2017/18

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Cost or Valuation								
As at 1 April 2017	28,814	5,890	7,313	196	3,031	1,144	46,388	4,302
Additions	79	160	-	-	-	287	526	18
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,097	-	-	-	(117)	-	2,980	987
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(967)	-	-	-	(284)	-	(1,251)	48-
De-recognition - Disposals	-	-	-	-	(200)	-	(200)	-
De-recognition - Other	(58)	(475)	-	(22)		-	(555)	
Reclassifications	931	-	-	130	370	(1,431)	-	-
Other movements in cost or valuation	(57)	-	-	-	-	-	(57)	-
At 31 March 2018	31,839	5,575	7,313	304	2,800	-	47,831	5,355
Accumulated Depreciation and Impairment								
As at 1 April 2017	718	4,101	4,696	-	-	-	9,515	-
Charged in year	977	545	425	-	2	-	1,949	175
Depreciation written out to the Revaluation Reserve	(1,358)	-	-	-	(2)	-	(1,360)	(96)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(147)	-	-	-	-	-	(147)	(79)-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(57)	-	-	-	-	-	(57)	-
De-recognition – Other	(5)	(423)	-	-	-	-	(428)	-
At 31 March 2018	128	4,223	5,121	-	-	-	9,472	-
Net Book Value								
As at 31 March 2018	31,711	1,352	2,192	304	2,800	-	38,359	5,355
As at 1 April 2017	28,096	1,789	2,617	196	3,031	1,144	36,873	4,302

Movements in 2016/17 (Restated)

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Cost or Valuation								
As at 1 April 2016	27,074	5,734	7,313	176	7,647	194	48,138	4,750
Additions	119	773	-	20	2	950	1,864	78
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,707	-	-	-	500	-	2,207	(308)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(42)	-	-	-	(18)	-	(60)	(218)
De-recognition - Disposals	-	-	-	-	-	-	-	-
De-recognition - Other	(44)	(617)	-	-	-	-	(661)	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	(5,100)	-	(5,100)	-
At 31 March 2017	28,814	5,890	7,313	196	3,031	1,144	46,388	4,302
Accumulated Depreciation and Impairment								
As at 1 April 2016	543	4,306	4,271	-	-	-	9,120	-
Charged in year	949	412	425	-	2	-	1,788	202
Depreciation written out to the Revaluation Reserve	(615)	-	-	-	(2)	-	(617)	(109)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(170)	-	-	-	-	-	(170)	(93)
Impairment losses/(reversals) recognised in the Revaluation Reserve	32	-	-	-	-	-	32	-
De-recognition - Other	(21)	(617)	-	-	-	-	(638)	-
At 31 March 2017	718	4,101	4,696	-	-	-	9,515	-
Net Book Value								
As at 31 March 2017	28,096	1,789	2,617	196	3,031	1,144	36,873	4,302
As at 1 April 2016	26,531	1,428	3,042	176	7,647	194	39,018	4,750

Movements in 2016/17

	Land & Buildings £'000	Vehicles, Plant, Furniture & Equipment £'000	Infrastructure £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000	PFI Assets Included in Property, Plant and Equipment £'000
Cost or Valuation								
As at 1 April 2016	27,074	5,734	7,313	176	7,647	194	48,138	4,750
Additions	119	61	-	20	2	950	1,152	78
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,707	-	-	-	500	-	2,207	(308)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(42)	-	-	-	(18)	-	(60)	(218)
De-recognition - Disposals	-	-	-	-	-	-	-	-
De-recognition - Other	(44)	-	-	-	-	-	(44)	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	(5,100)	-	(5,100)	-
At 31 March 2017	28,814	5,795	7,313	196	3,031	1,144	46,293	4,302
Accumulated Depreciation and Impairment								
As at 1 April 2016	543	4,306	4,271	-	-	-	9,120	-
Charged in year	949	412	425	-	2	-	1,788	202
Depreciation written out to the Revaluation Reserve	(615)	-	-	-	(2)	-	(617)	(109)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(170)	-	-	-	-	-	(170)	(93)
Impairment losses/(reversals) recognised in the Revaluation Reserve	32	-	-	-	-	-	32	-
De-recognition - Other	(21)	-	-	-	-	-	(21)	-
At 31 March 2017	718	4,718	4,696	-	-	-	10,132	-
Net Book Value								
As at 31 March 2017	28,096	1,077	2,617	196	3,031	1,144	36,161	4,302
As at 1 April 2016	26,531	1,428	3,042	176	7,647	194	39,018	4,750

Depreciation
The following useful lives and depreciation rates have been used in the calculation of depreciation:

Asset Category	Rate	Basis
Dwellings & Other Buildings	3 - 50 Years	Straight Line
Infrastructure Assets	1 - 70 Years	Straight Line
Vehicles, Plant, Furniture & Equipment	1 - 19 Years	Straight Line
Intangible Assets	1 - 2 Years	Straight Line

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is re-valued at least every five years.

Valuations were carried out by Amcat (UK) Ltd., and in particular Tim Ellams BSc Est. Man, MRICS; Sarah J LewisBriggs BA (Hons) MRICS; and Michael P Churm BSc (Hons) MRICS. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors. Details are disclosed in the Statement of Accounting Policies.

The history of asset valuations is as follows:

	Land & Buildings £'000	Surplus Assets £'000	Total Property, Plant and Equipment £'000
Carried at Historic Cost			
Valued at fair value as at:			
31 March 2018	31,417	2,560	**33,977**
31 March 2017	145	240	**385**
31 March 2016	114	-	**114**
31 March 2015	35	-	**35**
31 March 2014	-	-	**-**
Total	**31,711**	**2,800**	**34,511**

Surplus assets comprise land holdings from which the Council does not provide services and which do not meet the criteria required in order to be classified as either investment properties or assets held for sale. All Surplus Assets have been re-valued as at 31 March 2018 at fair value by Amcat (UK) Ltd. A description of the different levels of the hierarchy used in fair value valuations and an analysis of the Council's Surplus Assets between them, is shown in the tables below.

Level	Fair Value at 31 March 2017 £000	Fair Value at 31 March 2018 £000
Other significant observable inputs (Level 2)	2,831	2,265
Unobservable inputs (Level 3)	200	535
Total	**3,031**	**2,800**

Category	Other significant observable inputs (Level 2) at 31 March 2017 £000	Unobserv-able inputs (Level 3) at 31 March 2017 £000	Fair Value at 31 March 2017 £000	Other significant observable inputs (Level 2) at 31 March 2018 £000	Unobserv-able inputs (Level 3) at 31 March 2018 £000	Fair Value at 31 March 2018 £000
Development land parcels	2,831	160	2,991	2,185	535	2,720
Car park land	-	40	40	80	-	80
Total	**2,831**	**200**	**3,031**	**2,265**	**535**	**2,800**

Surplus Assets Categorised Within Level 3

	31 March 2017 £000	31 March 2018 £000
Opening Balance	-	200
Transfers Into Level 3	160	620
Transfers out of Level 3	-	(140)
Total gains or losses resulting from changes in Fair Value	-	(250)
Transfers from Land and Buildings	40	105
Total	**200**	**535**

There were four assets transferred from Level 2 into Level 3 during the year, after taking into account uncertain factors regarding their valuation. Within the £620k transfer into Level 3, £450k relates to land which has subsequently had a revaluation of £240k during the year, due to uncertainties regarding highway access to allow development.

21. Heritage assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council.

	Civic Regalia £'000	Paintings and Fine Art £'000	Museum Exhibits £'000	Total Assets £'000
Cost or valuation				
1 April 2016	**208**	**780**	**581**	**1,569**
Revaluations	-	-	-	**-**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	**-**	**-**	-	**-**
31 March 2017	**208**	**780**	**581**	**1,569**
Revaluations	-	-	-	**-**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	**-**	**-**	-	**-**
31 March 2018	208	780	581	**1,569**

An insurance valuation was carried out by H. R. Naylor ASFAV on 17 November 2012 on all Beacon Museum exhibits and material items within the Copeland Collection paintings. There have been no acquisitions or disposals relating to the heritage assets contained within the Balance Sheet since that time.

Heritage assets held by the Council consist of Civic Regalia, Paintings, Fine Arts and Museum Exhibits, which are exhibited or stored in the Beacon Museum, the Museum Resource Centre at Haig Enterprise Park, the Museum Store at Moresby or the Copeland Centre.

The assets are generally carried in the Balance Sheet at insurance valuation based on open market replacement and mostly are revalued at least once every five years. Exceptionally, 67 assets are carried at a total historic cost of £11,000. Museum exhibits of an estimated individual value of less than £500 (unless considered a high risk by the curator), and a number of smaller value items where no historical cost data is available, are not carried in the Balance Sheet on the basis that the cost of valuing the items would be disproportionate in comparison to the benefit to the users of the Council's financial statements.

Civic Regalia - Items of jewellery and civic regalia are carried in the Balance Sheet at an insurance valuation of £0.208m based on a current estimate of market value by Michael King Ltd. in February 2012.

Paintings and Fine Arts - The Copeland Collection consists of paintings and sculptures on display or stored in the Beacon Museum and other public buildings. It includes four paintings by Robert Salmon with a combined value of £310,000. Assets are included in the Balance Sheet at a value of £780,000 based on a valuation by H.R. Naylor ASFAV in November 2012.

Museum Exhibits - The collection as a whole has been considered for valuation purposes, with the museum curator seeking an external professional valuation to be carried out on any individual asset that they deem to have a value in excess of £500 or are considered to be at a higher risk. This has resulted in a combined valuation totalling £1.325m, and represents the insurance valuations of the individual assets within the collection. These valuations are based on an estimate of market replacement values and are carried out every five years, with the last valuation being carried out in November 2012.

The residual items – those deemed to be worth less than £500 individually by the museum curator, have been excluded from the Balance Sheet as neither historic cost nor valuations are held and the Council believes the cost of valuing these assets would be disproportionate to their actual value.

Museum Collection assets are made up of the following categories:

- Archaeology
- Geographical and Natural Sciences
- The Norman Roberts Collection
- Decorative Arts
- Historic Pictures
- Print Collection Fine Arts
- Maps
- Photographs
- Social History
- Other collections

As well as assets held and displayed in buildings, the Council also owns other heritage assets, which are in situ throughout Copeland. These comprise buildings or structures for which there is no recorded historic cost, and therefore they are not carried on the Balance Sheet.

The Council's policies on Heritage Assets, which includes details of the collection's acquisition, preservation, management, disposal and documentation, can be accessed on the Beacon website.

22. Investment properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2016/17 £'000	2017/18 £'000
Rental income from investment property	200	169
Net gains/losses from fair value adjustments	72	(251)
Gain/loss on disposal of investment property	(17)	-
Direct operating expenses arising from investment property	(7)	(61)
Net gain/(loss)	**248**	**(143)**

There are no restrictions on the Council's ability to realise the value inherent in its investment property nor on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property, but has obligations for repairs and maintenance on some of its investment properties. The Council has a number of land assets classified as investment, due to their potential for future development and therefore capital growth. Some of these assets house garage plot sites which are then let to the public for limited rental income. This income is incidental to their future capital growth potential.

The following table summarises the movements in the fair value of investment properties over the year:

	2016/17 £'000	2017/18 £'000
Balance at start of the year	**2,503**	**2,558**
Additions:		
Subsequent expenditure	-	-
Disposals	(17)	-
Net gains/losses from fair value adjustments	72	(251)
Transfers:		
to/from Property, Plant and Equipment	-	-
Balance at end of the year	**2,558**	**2,307**

Investment properties have been re-valued as at 31 March 2018 at fair value (using a combination of Level 2 – other significant observable inputs and Level 3 – unobservable inputs) by Amcat (UK) Ltd. Details of the Council's investment properties and information about the fair value hierarchy as at 31 March 2018 are shown below.

Category	Other significant observable inputs (Level 2) at 31 March 2017 £000	Unobserv-able inputs (Level 3) at 31 March 2017 £000	Fair Value at 31 March 2017 £000	Other significant observable inputs (Level 2) at 31 March 2018 £000	Unobserv-able inputs (Level 3) at 31 March 2018 £000	Fair Value at 31 March 2018 £000
Garage sites	114	-	114	114	-	114
Grazing plots	234	-	234	216	-	216
Industrial units	659	-	659	731	-	731
Offices and other commercial premises	1,443	-	1,443	1,177	-	1,177
Other	80	28	108	40	29	69
Total	**2,530**	**28**	**2,558**	**2,278**	**29**	**2,307**

Investment Properties Categorised Within Level 3

	31 March 2017 £000	31 March 2018 £000
Opening Balance	-	28
Transfers Into Level 3	61	-
Transfers out of Level 3	-	-
Total gains or losses resulting from changes in Fair Value	(33)	1
Total	**28**	**29**

In estimating the fair value of the Council’s investment properties, the highest and best use of the properties is their current use.

23. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year (investment) is shown in the table below (including the value of assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in the CFR is analysed in the second part of the note.

	31-Mar 2017 £'000	31-Mar 2017 (restated) £'000	31-Mar 2018 £'000
Opening Capital Financing Requirement	**6,997**	**6,997**	**7,709**
Capital Investment			
Property, Plant and Equipment	1,152	1,864	526
Revenue Expenditure Funded from Capital under Statute	788	788	1,732
Sources of Finance			
Capital receipts	-	-	(807)
Governments grants and other contributions	(1,940)	(1,940)	(1,287)
Sums set aside from revenue	-	-	(16)
Minimum revenue provision	-	-	(493)
Closing Capital Finance Requirement	**6,997**	**7,709**	**7,364**
Explanation of movements in year			
Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	-	712	(345)
Total movement in year	**-**	**712**	**(345)**

24. Assets held for sale

	2016/17 £'000	2017/18 £'000
Balance outstanding at start of year	**666**	**5,534**
Assets newly classified as held for sale transferred from Property, Plant & Equipment	5,400	-
Assets newly classified as Property, Plant & Equipment transferred from held for sale	(300)	-
Revaluation (losses)/gains	(48)	11
Assets sold	(184)	(5,400)
Balance outstanding at year-end	**5,534**	**145**

25. Debtors

	31 March 2017 £'000 Current	£'000 Long Term	31 March 2018 £'000 Current	£'000 Long Term
Central government bodies	431	-	2,499	-
Other local authorities	377	-	1,072	-
Other entities and individuals	2,301	478	1,754	52
Total	**3,109**	**478**	**5,325**	**52**

26. Cash and cash equivalents

The balance of Cash and Cash Equivalents consists of the following elements:

	31 March 2017 £'000	31 March 2018 £'000
Cash held by the Council	2	4
Bank current accounts	20	146
Short-term deposits with building societies	4,822	5,943
Total Cash and Cash Equivalents	**4,844**	**6,093**

27. Creditors

	31 March 2017 £'000	31 March 2017 (Restated) £'000	31 March 2018 £'000
Central government bodies	(3,527)	(3,527)	(3,733)
Other local authorities	(2,094)	(2,094)	(830)
Other entities and individuals	(3,207)	(3,316)	(2,637)
Total	**(8,828)**	**(8,937)**	**(7,200)**

28. Provisions

Short Term Provisions	NNDR Appeals Provision £'000	Search Fees Provision £'000	Other Provisions £'000	Total £'000
Balance as at 1 April 2017	**(444)**	**-**	**(90)**	**(534)**
New provision raised 2017/18	(2,226)	-	(31)	(2,257)
Utilised in 2017/18	330	-	-	330
Balance as at 31 March 2018	**(2,340)**	**-**	**(121)**	**(2,461)**
Short Term Provisions	**NNDR Appeals Provision £'000**	**Search Fees Provision £'000**	**Other Provisions £'000**	**Total £'000**
Balance as at 1 April 2016	**(263)**	**(10)**	**(121)**	**(394)**
New provision raised 2016/17	(343)	-	(15)	(358)
Utilised in 2016/17	162	10	-	172
Reversed unused in 2016/17	-	-	46	46
Balance as at 31 March 2017	**(444)**	**-**	**(90)**	**(534)**

NNDR Appeals Provision - all business ratepayers can appeal against the value of their premises, which is set by the Valuation Office Agency and used to calculate the amount of rates payable. If an appeal is successful, the value reduces, as does the amount payable. A number of ratepayers have appealed against the values in effect from 2010/11 to date. The provision is made to meet any refunds of rates. The total provision at 31 March 2018 is £5,850,586, which has been made by the Government (£2,925,293), the Council (£2,340,235) and the County Council (£585,059). It is based on a 20.0% reduction in rateable value in respect of Sellafield Ltd. and 4.2% for other properties.

Search Fees Provision - is the amount estimated for the cost of the revocation of the personal search fee of the local land charges register. The provision is no longer required at 31 March 2018.

Other Provisions – all other provisions are individually insignificant.

29. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its staff, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in the Cumbria Local Government Pension Scheme (LGPS), which is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. The LGPS is a statutory scheme operated under the regulatory framework established under the Superannuation Act 1972. This framework sets out the administrative arrangements and processes for the scheme, specifies the nature and amounts of benefits payable and establishes the basis for calculating contributions payable by the Council and its employees.

Cumbria County Council is the administering authority for the Cumbria LGPS and is responsible for administering the scheme - collecting employer and employee contributions, maintaining members' records and paying out benefits; and investing the accumulated contributions of the scheme until they are used to pay the benefits. The Cumbria Pensions Committee is responsible for ensuring that these responsibilities are discharged in accordance with the relevant regulations and that appropriate governance arrangements are in place and operating effectively.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme, changes to inflation, bond yields and the performance of equity investments. These are mitigated to a certain extent by the statutory requirements to charge the General Fund the amounts required by statute as described in the accounting policies note.

In addition, there are arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the net cost of services when earned by the employees, rather than when the benefits are eventually paid as pensions. However, the charge made against Council Tax is based on the cash payable in the year. In order to make this adjustment, the real cost of retirement benefits is reversed out of the General Fund balance via the Movement in Reserves Statement.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

	2016/17 £'000	2017/18 £'000
Comprehensive Income and Expenditure Statement		
Cost of services		
Service cost comprising:		
Current service cost	1,095	1,686
Curtailments	44	151
Administration expense	27	29
Financing and Investment Income and Expenditure		
Net interest expense	699	621
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,865**	**2,487**
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Re-measurement of the net defined benefit liability comprising:		
Actuarial (gains) and losses arising on changes in financial assumptions	17,679	(3,453)
Actuarial (gains) and losses arising on changes in demographic assumptions	(707)	-
Experience (gains) and losses	2,283	-
Re-measurement of plan assets	(13,165)	(1,005)
Total Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**6,090**	**(4,458)**
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**7,955**	**(1,971)**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	(481)	(864)
Actual Amount charged against the General Fund Balance for pensions in the year		
Employers contributions payable to the scheme	1,384	1,623

Pensions Assets and Liabilities Recognised in the Balance Sheet

During the year there was an upfront pension deficit recovery payment of £1,884k for 3 years contributions, after recognising the cost for the first year the amount paid up front as at 31st March 2018 was £1,270k. The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefits plans is as follows:

	2016/17 £'000	2017/18 £'000
Present value of the defined benefit obligation	(99,049)	(96,739)
Fair value of plan assets	71,775	73,059
Upfront pension deficit repayment		1,270

Net Liability arising from the defined benefit obligation	**(27,274)**	**(22,410)**

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2016/17 £'000	2017/18 £'000
Benefit obligation at 1 April	**(78,698)**	**(99,049)**
Current service cost	(1,095)	(1,686)
Interest cost	(2,705)	(2,436)
Contribution by scheme participants	(285)	(301)
Re-measurement (gains) and losses:		
Actuarial (gains) and losses arising on changes in financial assumptions	(17,679)	3,453
Actuarial (gains) and losses arising on changes in demographic assumptions	707	-
Experience (gains) and losses	(2,283)	-
Settlements and curtailments	(44)	(151)
Benefits Paid	3,033	3,431
Benefit obligation at 31 March	**(99,049)**	**(96,739)**

Reconciliation of the fair value of scheme (plan) assets:

	2016/17 £'000	2017/18 £'000
Opening fair value of scheme assets	**57,995**	**71,775**
Interest income	2,006	1,815
Re-measurement gain/(loss):		
The return on plan assets, excluding the amount included in the net interest expense	13,165	1,005
Administration expenses	(27)	(29)
Contributions by employer	1,384	1,623
Contributions by scheme participants	285	301
Benefits paid	(3,033)	(3,431)
Closing fair value of scheme assets	**71,775**	**73,059**

Local Government Pension Scheme assets comprised:

	2016/17 £'000	2017/18 £'000
Equities		
• UK quoted	9,259	9,279
• Global quoted	14,427	15,635
• UK equity pooled	718	804
• Overseas equity pooled	12,058	10,594
Bonds		
• UK corporate bonds	4,522	4,310
• Overseas corporate bonds	215	219

• UK government indexed pooled	13,996	12,785
Property		
• UK	5,024	4,676
• Property funds	2,225	2,119
Alternatives		
• Private equity funds	1,794	1,753
• Infrastructure funds	4,235	4,676
• Real estate debt funds	646	438
• Private Debt Fund	359	1,607
• Healthcare Royalties	-	292
Cash		
• Cash accounts	2,225	3,872
• Net current assets	72	-
Total	**71,775**	**73,059**

In summary:

	2016/17 %	2017/18 %
Equities	50.8	49.7
Government bonds	19.5	17.5
Other bonds	6.6	6.2
Property	10.1	9.3
Cash / liquidity	3.1	5.3
Other	9.9	12.0
Total	**100.0**	**100.0**

Basis for Estimating Assets and Liabilities

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels, etc. Funded and unfunded liabilities have been assessed by Mercer Limited, an independent firm of actuaries using estimates based on the latest full valuation of the scheme at 31 March 2018. The significant actuarial assumptions used to determine the present value of the defined benefit obligation are set out in the following table:

	2016/17	2017/18
Life expectancy		
Current pensioner aged 65 male (female)	23.1(25.7) years	23.2(25.8) years
Future pensioner aged 65 in 20yr time male (female)	25.4 (28.4) years	25.5 (28.5) years
Rate of CPI inflation	2.3%	2.1%
Rate of increase in salaries	3.8%	3.6%
Rate of increase in pensions	2.3%	2.2%
Rate for discounting scheme liabilities	2.5%	2.6%

The estimated defined benefit obligation is sensitive to changes in the actuarial assumptions set out in the preceding table. The sensitivity analysis below shows how the defined benefit obligation would have been affected by reasonably possible changes in the actuarial assumptions at the Balance Sheet date. The impact of the change in each assumption assumes that all other assumptions remain constant. The estimations in the sensitivity analysis are calculated on an actuarial basis using the projected unit credit method.

	As at 31 March 2018	+0.1% p.a. discount rate	+0.1% p.a. inflation	+0.1% p.a. pay growth	+1 year increase in life expectancy
	£'000	£'000	£'000	£'000	£'000
Liabilities	96,739	95,165	98,339	96,916	98,657
Assets	(73,059)	(73,059)	(73,059)	(73,059)	(73,059)
Deficit/(Surplus)	23,680	22,106	25,280	23,857	25,598
Projected service cost for next year	1,570	1,526	1,616	1,570	1,602
Projected net interest cost for next year	596	577	639	602	647

Impact on the Council's Cash Flows

The objective of the scheme is to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% by employers paying additional contributions over a reasonable timeframe.

The weighted average duration of the defined benefit obligation for scheme members is 16 years (2016/17 - 16 years). Funding levels are monitored on an annual basis. The next triennial valuation (as at 31 March 2019) is due to be completed by 31 March 2020. The Council anticipates paying £1.502m in employer's contributions to the scheme in 2018/19.

30. Contingent liabilities

The Council has used its best judgement to provide for refunds of non-domestic rates in the event of successful appeals by ratepayers up until 31 March 2017 (see Note 3 page 48). In respect of ratepayers submitting and being successful with appeals against a new valuation list effective from 1 April 2017, the Council has made provision in its accounts in respect of such appeals based on historical experience.

31. Termination benefits

The Council terminated the contract of 10 employees during 2017/18. This resulted in costs of £226,173 incurred during the year.

The number of exit packages with the total cost band total cost of compulsory and other redundancies are set out in the table below. There were no compulsory redundancies in 2016/17 or 2017/18.

Exit package cost band (including special payments)	Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17 £	2017/18 £
Up to £20,000	9	7	9	7	73,981	94,342
£20,001-£40,000	6	1	6	1	172,997	30,000
£40,001-£60,000	5	2	5	2	235,516	101,831
£60,001-£80,000	1		1		78,149	
Total	**21**	**10**	**21**	**10**	**560,643**	**226,173**

32. Private Finance Initiative (PFI) and similar contracts

Copeland Centre PFI Scheme

The Council entered into a PFI building agreement on 17 September 2004 for a 25-year period, for the main administration centre (the Copeland Centre) in Whitehaven. The contract specifies minimum levels of services to be provided including the provision of:

- maintenance – planned preventative, lifecycle replacement and reactive
- security
- waste disposal
- health, safety and fire protection
- cleaning, both internal and external.

The building is to be available to the Council between 7.15am and 6.45pm during the normal working week plus additional hours within limits.

At the end of the 25-year period, the Council has the choice of:

- purchasing the facilities by paying the provider an amount equal to the market value of the residual head lease interest (being 125 years)
- retendering for the provision of services
- pursuing neither option.

The Copeland Centre is recognised on the Council's Balance Sheet. Movements in the value over the year are detailed in the analysis of Property, Plant and Equipment on page 69.

The Council was committed at 31 March 2018 to making the following payments under the Copeland Centre PFI scheme:

	Repayments of Liability £'000	Interest (excluding contingent rents) £'000	Service charges £'000	Lifecycle replacement costs £'000	Contingent rents £'000	TOTAL £'000
Due within one year	314	417	629	175	420	**1,955**
Due within 2-5 years	1,294	1,405	2,675	1,010	1,880	**8,264**
Due within 6-10 years	2,363	1,074	3,738	1,290	3,084	**11,549**
Due within 11-15 years	1,023	116	1,187	171	1,172	**3,669**
Total	**4,994**	**3,012**	**8,229**	**2,646**	**6,556**	**25,437**

Prices are based on an estimate of the cash amount that will actually be paid and therefore include estimated inflationary increases. Payments can also be reduced if the contractor fails to meet performance and availability standards.

The Council has the following liability resulting from the Copeland Centre PFI scheme.

	2016/17 £'000	2017/18 £'000
As at 1 April	**5,184**	**5,268**
Finance Lease Liability Redemption Payments During Year	84	(274)
As at 31 March	**5,268**	**4,994**
Short Term	287	301
Long Term	4,981	4,693
Total	**5,268**	**4,994**

33. Council as Lessee

Finance Leases - The Council uses light vans, medium vans, tipper trucks, refuse collection vehicles, specialised environmental cleansing vehicles, grounds maintenance tractors and other specialised items of plant, financed under terms of finance leases.

The Council leases all its vehicles and plant for periods of up to 10 years through a contract with a single supplier, which was awarded through a competitive tendering process. At the end of the primary lease period, the Council has the option to enter into a secondary lease at reduced rates but generally, vehicles and plant are returned to the lessor.

There are no purchase options attached to the lease at its inception and the lease costs do not attract annual inflationary increases or increases in financing costs that may be incurred by the lessor over the life of the individual leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	As at 31 March 2017 £'000	As at 31 March 2017 (restated) £'000	As at 31 March 2018 £'000
Vehicles, Plant, Furniture and Equipment	116	828	773
Total	**116**	**828**	**773**

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the assets acquired by the authority and the finance costs that will be payable by the authority in future years while the liability remains outstanding. The minimum lease payments consist of the following amounts.

	As at 31 March 2017 £'000	As at 31 March 2017 (restated) £'000	As at 31 March 2018 £'000
Finance Lease liabilities (net present value of minimum lease payments)			
Current	89	199	188
Non-current	67	670	617
Finance costs payable in future years	19	266	207
Minimum lease payments	**175**	**1,135**	**1,012**

The minimum lease payments will be made over the following periods.

	Minimum Lease Payments		Finance Lease Liabilities	
	As at 31 March 2017 £'000	As at 31 March 2018 £'000	As at 31 March 2017 £'000	As at 31 March 2018 £'000
Not later than 1 year	103	263	89	188
Later than 1 year and not later than five years	72	746	67	614
Later than 5 years	-	3	-	3
Total				

	175	**1,012**	**156**	**805**

	Minimum Lease Payments		Finance Lease Liabilities	
	As at 31 March 2017 (restated) £'000	As at 31 March 2018 £'000	As at 31 March 2017 (restated) £'000	As at 31 March 2018 £'000
Not later than 1 year	288	263	199	188
Later than 1 year and not later than five years	711	746	541	614
Later than 5 years	136	3	129	3
Total	**1,135**	**1,012**	**869**	**805**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews (unless agreed at the start of the contract). There are no contingent rents in respect of the above leases.

Council as Lessor

Operating Leases - The Council sublets portions of the Copeland Centre (disclosed under the PFI page 86) to the Department for Work and Pensions under an operating lease that run to September 2029. The future minimum lease receipts due under non-cancellable leases in future years are:

	As at 31 March 2017 £'000	As at 31 March 2018 £'000
Not later than one year	241	241
Later than one year and not later than five years	965	965
Later than five years	1,882	1,641
Total	**3,088**	**2,847**

The minimum lease receipts do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews (unless agreed at the start of the contract). In 2017/18 contingent rents of £214,160 were receivable by the Council (2016/17 £221,512).

In addition to the Copeland Centre above, the Council rents out various parcels of land, commercial buildings and garage plots. All of these properties are classed as investment properties on the Balance Sheet, being held solely for either rental income or capital appreciation, with related rental income and property expenditure being charged to the Financing and Investment Income and Expenditure line on the Comprehensive Income and Expenditure Statement.

Most of these leases are deemed to be operating leases.

The future minimum lease receipts due under non-cancellable leases in future years are estimated as:

	As at 31 March 2017 £'000	As at 31 March 2018 £'000
Not later than one year	48	47
Later than one year and not later than five years	138	111
Later than five years	71	51
Total	**257**	**209**

The minimum lease receipts do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews (unless agreed at the start of the contract). Contingent rents receivable by the Council relating to these leases in 2017/18 was £21,007 (2016/17 £28,916).

34. Financial instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets:

	Note	Loans & Receivables £'000	Available for Sale £'000	Non IAS 39 Financial Assets £'000	Total £'000
At 31 March 2018					
Long Term Debtors	25	52	-	-	**52**
Short Term Investments		20,067	-	-	**20,067**
Short Term Debtors	25	1,201	-	4,124	**5,325**
Cash and Cash Equivalents	26	6,093	-	-	**6,093**
Total		**27,413**	**-**	**4,124**	**31,537**
At 31 March 2017					
Long Term Debtors	25	478	-	-	**478**
Short Term Investments		19,982	-	-	**19,982**
Short Term Debtors	25	2,083	-	1,026	**3,109**
Cash and Cash Equivalents	26	4,844	-	-	**4,844**
Total		**27,387**	**-**	**1,026**	**28,413**

Financial Liabilities:

	Note	Financial Liabilities Held at Armotised Cost £'000	Non IAS 39 Financial Liabilities £'000	Total £'000
At 31 March 2018				
Long Term Borrowing		5,000	-	**5,000**
Other Long Term Liabilities	32,33	5,310	-	**5,310**
Short Term Borrowing		61	-	**61**
Short Term Creditors	27	2,407	4,793	**7,200**
Total		**12,778**	**4,793**	**17,571**
At 31 March 2017				
Long Term Borrowing		5,061	-	**5,061**
Other Long Term Liabilities	32,33	5,651	-	**5,651**
Short Term Creditors	27	2,676	6,261	**8,937**
Total		**13,388**	**6,261**	**19,649**

Accounting practice requires that the carrying value of the financial instruments is shown in the Balance Sheet as the principal amount borrowed or lent and further adjustments for items such as impairment and accrued interest. Accrued interest is shown separately in current assets or liabilities where the payments or receipts are due within one year, but the principal amount has a longer term. The Council has no instruments where an effective interest rate is applicable.

Material Soft Loans made by the Council

The Council historically made interest-free loans to homeowners so they could make improvements to their properties, bringing them to a habitable condition, with the loan becoming repayable when ownership transferred. Individually the loans were not material amounts. During 2017/18 the loans were written off due to insufficient information retained by the Council to support the collection of these loans.

	2016/17 £'000	2017/18 £'000
Opening balance at start of year	**421**	**427**
Fair value adjustment on initial recognition	15	-
Loans repaid	-	-
Other changes	(9)	(427)
Closing balance at end of year	**427**	**-**

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are as follows.

	2016/17			2017/18		
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	(733)	-	**(733)**	(1,017)	-	**(1,017)**
Total expense in the Surplus or Deficit on the Provision of Services	**(733)**	**-**	**(733)**	**(1,017)**	**-**	**(1,017)**
Interest income	-	209	**209**	-	48	**48**
Total income in the Surplus or Deficit on the Provision of Services	**-**	**209**	**209**	**-**	**48**	**48**
Net gain/(loss) for the year	**(733)**	**209**	**(524)**	**(1,017)**	**48**	**(969)**

Fair Values of Assets and Liabilities

Financial liabilities and financial assets held by the Council are classified as loans and receivables, long-term debtors and creditors and are carried in the Balance Sheet at amortised cost. The Council does not hold any financial instruments on the Balance Sheet at fair value, for which there is a requirement also separately to disclose their fair value using the following levels of evidence:

Level 1	Quoted prices in active markets for identical assets/liabilities that the Council can access at the measurement date
Level 2	Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly
Level 3	Unobservable inputs for the asset or liability

All financial assets are classed as loans and receivables and held with money market funds and notice accounts. The financial liability is held with a market lender. None of these investments and borrowings were quoted on an active market and so a Level 1 valuation is not available. Fair value has been calculated using a net present value approach, which provides an estimate of the value of payments in the future in today's terms as at the Balance Sheet date. Given that the interest rates/discount factors, which will determine the present value are observable inputs, this is a Level 2 assessment.

The fair values calculated are as follows:

Fair Value of financial liabilities	31 March 2017		31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Creditors	2,196	2,196	1,917	1,917
PFI Finance Lease	5,268	7,914	4,994	7,090
Other Finance Lease	869	869	805	805
LOBO Commercial Loan	5,061	9,784	5,061	9,516

The fair value of the liabilities is greater than the carrying amount because the Council's PFI and loan are fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2018) arising from a commitment to pay interest to lenders above current market rates.

If the authority were to seek to avoid the projected loss by repaying the LOBO loan at assumed PWLB redemption yields, the bank would raise a penalty charge for early redemption. The exit price under this basis including the penalty charge and accrued interest would be £7,503,360.

Fair Value of financial assets	31 March 2017		31 March 2018	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Cash and Cash Equivalents	4,844	4,844	6,093	6,093
Short Term Investments	19,982	19,982	20,067	20,067
Debtors	2,561	2,561	1,253	1,253

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council,
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments,
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms,

- Market risk – the possibility that financial loss might arise for the Council, because of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through legislation.

Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Code of Practice;

- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations;

- by approving annually in advance prudential indicators for the following three years limiting the Council's overall borrowing; its maximum and minimum exposures to fixed and variable rates; its maximum and minimum exposures of the maturity structure of its debt; and its maximum annual exposure to investments maturing beyond a year;

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government guidance.

The above are required to be reported and approved at, or before the Council's annual Council Tax setting meeting or before the start of the year to which they relate. They are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instruments exposure. Actual performance is also reported quarterly in addition to a mid-year update and final outturn report.

The annual Treasury Management Strategy, which incorporates the prudential indicators, was approved by Council on 20 February 2017. The key issues within the strategy were:

- The Authorised Limit for 2017/18 was set at £17m. This is the maximum limit of external borrowings or other long term liabilities;

- The Operational Boundary was expected to be £12m. This is the expected level of debt and other long term liabilities during the year

- The maximum amounts of fixed and variable interest rate exposure were set at:

	£m
Limits on fixed interest rates based on net debt	5.1
Limits on variable interest rates based on net debt	5.1

Limits on fixed interest rates	
Debt only	5.1
Investments only	100.0
Limits on variable interest rates	
Debt only	5.1
Investments only	100.0

The policies and practices are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices – "TMPs") covering specific areas such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

- This risk is minimised through the Annual Investment Strategy, which has regard to the Government's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes ("the CIPFA TM Code"). The strategy requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poor's Credit Ratings Services.

- The Council's investment priorities will be security first, liquidity second and then return.

- The Council uses a creditworthiness service provided by a third party, which uses a sophisticated modelling approach with credit ratings from all three rating agencies forming the core element. It does not rely solely on the current credit ratings of counterparties but also uses credit watches and credit outlooks from rating agencies, credit default swap spreads to give early warning of likely changes in credit ratings and sovereign ratings to select counterparties from only the most creditworthy countries.

- The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. During the exceptional market conditions which were experienced in the recent past, the Section 151 Officer restricted further investment activity to those counterparties considered of a higher credit quality than the minimum criteria set out for approval, and this approach has continued. The time periods for investments has also been restricted.

- The Annual Investment Strategy for 2017/18 was approved by the Council on 20 February 2017.

- The Authority's maximum exposure to credit risk in relation to its investments in financial institutions cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk to recoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

The Council had investments with the following financial institutions, listed with credit ratings as per Standard and Poor's Credit Rating Services:

	A+ £'000	A £'000	BBB+ £'000	Unrated £'000	Total £'000
At 31 March 2018					
Royal Bank of Scotland	-	-	10,035	-	**10,035**
Surrey County Council	-	-	-	5,010	**5,010**
Lloyds	-	5,022	-	-	**5,022**
Total	**-**	**5,022**	**10,035**	**5,010**	**20,067**
At 31 March 2017					
Royal Bank of Scotland	-	-	9,988	-	**9,988**
Lloyds	-	4,992	-	-	**4,992**
Goldman Sachs	5,002	-	-	-	**5,002**
Total included in creditors	**5,002**	**4,992**	**9,988**	**-**	**19,982**

The Council generally allows 21 days' credit for its trade debtors. The past due amount can be analysed by age as follows:

	31 March 2017 £'000	31 March 2018 £'000
30 - 60 Days Outstanding	259	57
60 - 90 Days Outstanding	19	83
90+ Days Outstanding	950	345
Total	**1,228**	**485**

During the period there was movement on the bad debt provision for customers as follows:

	31 March 2017 £'000	31 March 2018 £'000
Balance at 1 April	**(986)**	**(1,020)**
(Increase)/Decrease in provision for year	(34)	(134)
Balance at 31 March	**(1,020)**	**(1,155)**

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets is as follows:

	31 March 2017 £'000	31 March 2018 £'000
Less than one year	26,912	27,364
Between one and five years	330	14
Between five and ten years	128	18
Between ten and fifteen years	7	7
More than fifteen years	10	10
Total	**27,387**	**27,413**

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures outlined above safeguard the Council against shorter-term risk, there is a longer-term risk to the Council in respect of managing the exposure to replacing longer- term financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicators for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk.

The Council's approved treasury and investment strategies address the main risks and the central treasury team addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs and the spread of longer-term investments provides stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period.

	31 March 2017 £'000	31 March 2018 £'000
Less than one year	2,676	2,480
Between one and five years	1,830	1,908
Between five and ten years	2,181	2,366
Between ten and fifteen years	1,640	1,023
More than 15 years	5,061	5,000
Total	**13,388**	**12,777**

Market risk

Interest rate risk – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure statement will rise;

- borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);

- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure statement will rise; and

- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. Changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy, a treasury indicator is set, which provides maximum limits for fixed and variable interest rate exposure. The central treasury team monitors market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns. Similarly, the drawing of longer-term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher with all other variables held constant, the financial effect would have been:

	£'000 +1%
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	(292)
Impact on Surplus or Deficit of the Provision of Services	(292)
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	1,348

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note – Fair value of Assets and Liabilities carried at Amortised Cost

Price risk – The Council does not invest in equity shares or marketable bonds and so is not exposed to losses arising from the movements in share prices.

Foreign exchange risk – The Council holds a single bank account denominated in Euros, the balance on which at the year-end was £576 when converted at the exchange rate prevailing at 31 March 2018. Whilst this means that the Council is exposed to fluctuation in exchange rates, the amount is negligible.

35. Related parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides part of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits and Council Tax bills). Grants received from Government departments are shown on page 65 note's.

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2017/18 is disclosed in Note 19 on page 68. In addition, details of any transactions (if they exist) are recorded in the Register of Members' Interests, open to public inspection at the Council's offices or on the Council's website. This is in addition to specific declarations obtained in respect of Related Party Transactions.

Material transactions that have taken place with related parties during 2017/18 are as follows:

Copeland Community Fund - The Nuclear Decommissioning Authority (NDA) established the fund in December 2007 to recognise the unique part a community plays in hosting a low-level nuclear waste storage facility.

The Fund is administered by a project board of eight members two of which are from the Council - Councillor David Moore and Elected Mayor Mike Starkie. In addition, there are two members from Cumbria County Council, one from the NDA, one from the Low Level Waste Repository (LLWR) and two independent members. The Fund is an agreement negotiated with the Government to recognise the service Copeland provides to the nation by hosting the repository close to the village of Drigg. The overriding principle is that the Fund is managed to provide a benefit to the residents of Copeland even after the borough has ceased receiving waste.

The Council received £203,125 from the Fund in 2017/18 to pay for the costs of staffing and the management charges required to administer the activities of the Fund (£205,703 in 2016/17).

North Country Leisure / Greenwich Leisure Limited - The Council has a contract with the above for the provision of leisure services at Whitehaven Leisure Centre, Whitehaven Swimming Pool and Cleator Moor Bowls.

There are two Copeland Councillors on the board. NCL was paid £228,465 during 2017/18 (£244,528 in 2016/17).

Officers of the Council - Related parties in respect of officers are only required to be disclosed where control exists. During the year, no such relationship existed.

Other public bodies - Transactions in relation to the Local Government Pension Scheme administered by Your Pension Service, run by Cumbria County Council, are set out on page 80.

Entities Controlled or Significantly Influenced by the Council

The Council continues to work with partners across a range of areas. This support is made in a number of ways but can include:

- Acting as the Accountable Body. The Council effectively becomes the conduit enabling available funding streams to be accessed in a more effective manner. As the Council is underwriting performance on these projects for which grants have been obtained, it is incurring a financial risk. However, without this position being taken, many sources of funding would not be available.

- Providing administrative and advisory support.

- Providing political support through the involvement of Members.

- Providing technical expertise.

The Council is a member of, and has voting rights in, Energy Coast West Cumbria Ltd (ECWC). As it is a partnership with a number of other parties with decisions covered by majority voting, where the Council is a minority partner, it is not appropriate for the Council to consolidate ECWC in the group accounts.

ECWC aims to support new business initiatives and to promote economic development. West Cumbria is facing significant losses of employment opportunities following the decommissioning of the Sellafield nuclear facility. The Board membership comprises:

Nuclear Decommissioning Agency	1 Nominated Member
Cumbria County Council	1 Nominated Member
Copeland Borough Council	1 Nominated Member
Allerdale Borough Council	1 Nominated Member
Independent Board Members	6 selected by Nolan Principles one of the independent members is elected as Chair.

Whitehaven Harbour Commissioners

During the year the Council agreed to act as accountable body on behalf of Whitehaven Harbour Commissioners (WHC). Grant funding was provided by the then Department for Communities and Local Government (DCLG) as part of the Coastal Community Fund in order to support the commissioners' 'Old New Quay Project. The Council agreed to receive a Section 31 Grant from DCLG in order for expedient release of funds to support the project. During the year the council received £262,712 and subsequently paid the same amount to WHC.

36. Cash flow statement – operating activities

The cash flows for operating activities include the following items:

2016/17 £'000		2017/18 £'000
209	Interest received	48
(733)	Interest paid	(1,017)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

2016/17 £'000		2017/18 £'000
1,788	Depreciation	1,949
(60)	Impairments and downward revaluations	1,094
23	Amortisations	24
38	Increase/(decrease) in impairment for bad debts	135
(13,014)	Increase/(decrease) in creditors	(289)
(362)	(Increase)/decrease in debtors	(1,591)
10	(Increase)/decrease in inventories	(9)
481	Movement in pension liability	863
224	Carrying amount of non-current assets sold	5,728
20	Other non-cash items charged to the net surplus or deficit on the provision of services	1,334
(10,852)		**9,238**

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

2016/17 £'000		2017/18 £'000
(190)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,889)
(751)	Capital grants	(1,256)
(941)		**(7,145)**

37. Cash flow statement – investing activities

2016/17 £'000		2017/18 £'000
(1,152)	Purchase of property, plant and equipment, investment property and intangible assets	(366)
(34,990)	Purchase of short term and long term investments	(20,000)
190	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,889
49,992	Proceeds from short term and long term investments	20,000
751	Other receipts from investment activities	1,256
14,791	**Net cash flows from investing activities**	**6,779**

38. Cash flow statement – financing activities

2016/17 £'000		2017/18 £'000
(8)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-Balance Sheet PFI contracts	(498)
(21,281)	Council Tax and NNDR adjustments	(2,296)
(21,289)	**Net cash flows from financing activities**	**(2,794)**

39. Accounting Standards Issued, Not Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

This section provides a brief summary of the accounting and legislative issues that will affect local government accounting during the 2018/19 year. Changes Introduced by the 2018/19 Code:

There are a number of accounting standards that will be introduced as part of the 2018/19 Code:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets.

- IFRS 15 Revenue Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers. IFRS15 presents new requirements for the recognition of revenue, based on a control-based revenue recognition model.

- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses, applies to deferred tax assets related to debt instruments measured at fair value.

- Amendments to IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities in future years.

The impact of the above will be assessed during 2018/19 and where necessary the figures will be restated in the 2018/19 Financial Statements.

40. Prior Period Adjustment

A small number of Finance Leases have been identified which commenced in the prior financial year. This has resulted in an additional £712k of plant being included within PPE in 2016/17 and comparators restated.

Following changes to the 2016/17 Code of Practice, on Local Authority Accounting in the UK, the council have adopted its overhead treatment in 2017/18 in accordance with the authority's arrangements for accountability and financial performance. This has meant that the authority has not charged these costs to service segments as in previous years. A restatement of 2016/17 to reflect the same treatment has therefore been required in these accounts for comparison purposes.

Impact on 31 March 2017 Balance Sheet

	Originally Stated as at 31 March 2017 £'000	Restatement £'000	Restated as at 31 March 2017 £'000
Long Term Assets			
Property, Plant and Equipment	36,161	712	36,873
Total Long Term Assets	**40,797**	**712**	**41,509**
Current Liabilities			
Short Term Creditors	(8,828)	(109)	(8,937)
Total Short Term Creditors	**(9,362)**	**(109)**	**(9,471)**
Long Term Liabilities			
Other Long Term Liabilities	(5,048)	(603)	(5,651)
Total Long Term Liabilities	**(37,383)**	**(603)**	**(37,986)**

Impact on Comprehensive Income and Expenditure Statement

Below shows the changes to Gross Expenditure in the Comprehensive Income and Expenditure Statement:

	Originally Stated as at 31 March 2017 £'000	Restatement £'000	Restated as at 31 March 2017 £'000
Corporate Services	1,521	1,459	2,980
Customer and Community Services	3,512	(46)	3,466
Democracy	1,482	(470)	1,012
Housing and Environmental Health	2,130	(347)	1,783
Planning and Economic Development	1,941	(800)	1,141
Property and Estates	1,112	2,036	3,148
Refuse and Recycling	4,004	(789)	3,215
Revenue and Benefits	21,188	(736)	20,452

All Other	1,452	(308)	1,144
Total	**38,342**	**(1)**	**38,341**

Collection Fund

	2017/18 Council Tax £'000	2017/18 NNDR £'000	2017/18 Total £'000	2016/17 Total £'000
INCOME				
Council Tax amount due	(36,313)		(36,313)	(34,567)
Non-Domestic Rates (NNDR)				
Amount due		(40,487)	(40,487)	(42,781)
Reduction in the provision for appeals		-	-	-
Contribution to previous year's deficit				
Central Government		-	-	-
Cumbria County Council		-	-	-
Copeland Borough Council		-	-	-
Total Income	**(36,313)**	**(40,487)**	**(76,800)**	**(77,348)**
EXPENDITURE				
Council Tax				
Precepts and demands				
Cumbria County Council	25,878		25,878	24,786
Police and Crime Commissioner	4,460		4,460	4,359
Copeland Borough Council	4,926		4,926	4,794
Distribution of previous year's surplus				
Cumbria County Council	730		730	291
Police and Crime Commissioner	128		128	52
Copeland Borough Council	141		141	57
Non-Domestic Rates				
Shares		16,367	16,367	19,625
Central Government				
Cumbria County Council		3,273	3,273	3,925
Copeland Borough Council		13,094	13,094	15,700
Distribution of previous year's surplus				
Central Government		316	316	4,007
Cumbria County Council		63	63	801
Copeland Borough Council		253	253	3,206
Cost of Collection		101	101	112
Transitional Protection Payments		6,806	6,806	40
Increase in the provision for appeals		4,740	4,740	453
Increase in the provision for bad debts	205	15	220	93
Write offs	14	5	19	78
Total Expenditure	**36,482**	**45,033**	**81,515**	**82,379**
(Surplus) / Deficit for the year	**169**	**4,546**	**4,715**	**5,031**
(Surplus) / Deficit at 1 April	(1,180)	(2,997)	(4,177)	(9,208)
(Surplus) / Deficit at 31 March	**(1,011)**	**1,549**	**538**	**(4,177)**

Notes to the Collection Fund

1. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands, calculated using estimated 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Cumbria County Council, Cumbria Police and Crime Commissioner and the Council for the forthcoming year and dividing this by the Council Tax base. The Council Tax base, which was 20,200.94 for 2017/18 (20,121.16 for 2016/17), is the aggregate of an adjusted total number of properties in each valuation band (reduced by allowances for discounts and an estimated collection rate) adjusted by a proportion to convert the number to Band D equivalent chargeable dwellings.

The tax base was calculated as follows:

Band	Number of Properties	Proportion	Band D Equivalent Dwellings
A Disabled	89.00	5/9	49.44
A	16,730.80	6/9	11,153.87
B	4,191.40	7/9	3,259.98
C	3,779.85	8/9	3,359.87
D	2,940.60	9/9	2,940.60
E	1,734.35	11/9	2,119.76
F	412.80	13/9	596.27
G	82.90	15/9	138.17
H	5.50	18/9	11.00
Total			**23,628.96**
Allowance for discounts			3,015.76
Total Equivalent Chargeable Dwellings			20,613.20
Tax Base at 98% Collection Rate			**20,200.94**

The basic amount of Council Tax for a Band D property of £1,700.24 (£1,643.15 for 2016/17) is multiplied by the proportion specified for the particular band to give an individual amount due.

2. NATIONAL NON-DOMESTIC RATES

National Non-Domestic Rates (NNDR) is based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate (a “multiplier”) set nationally by Central Government. The national multipliers for 2017/18 were 46.6p for qualifying small businesses and 47.9p for all other businesses (48.4p and 49.7p respectively in 2016/17).

The NNDR income due (after exemptions and reliefs) of £40.487m for 2017/18 (£42.781m in 2016/17) was based on an average rateable value for the Council’s area of £80.782m for the year (£89.012m in 2016/17).

Independent Auditor's Report to the Members of Copeland Borough Council

Report on the Audit of the Financial Statements

Qualified opinion

We have audited the financial statements of Copeland Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Expenditure and Funding Analysis, Notes to the Financial Statements and Notes to the Collection Fund. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for qualified opinion

The Authority's Comprehensive Income and Expenditure Statement reports gross expenditure at Cost of Services level of £37,274,000. Audit testing of a sample of expenditure items identified a material overstatement of operating expenditure that had arisen due to deficiencies in the Authority's arrangements to apply year-end cut off procedures correctly. The Authority has not carried out further work to fully assess the wider implications of the errors we identified on the material accuracy of operating expenditure and associated creditor balances. Consequently, we were unable to determine the value of any adjustments to these amounts that were necessary.

The Authority's Balance Sheet includes Property, Plant and Equipment (PPE) valued at £38,492,000 and Investment Property valued at £2,307,000. The carrying value of land, buildings, surplus assets and investment properties is updated by an annual revaluation exercise. The annual valuation approach for 2017/18 was deficient, in terms of the instructions issued to the valuer, the approach taken by the valuer and the accuracy of the valuations subsequently produced. The Authority has not since obtained an updated valuation report. We were therefore unable to obtain sufficient appropriate audit evidence about the carrying value of land, buildings, surplus assets and investment property at 31 March 2018, and the associated valuation movements posted to the Comprehensive Income and Expenditure Statement, the Capital Adjustment Account and the Revaluation Reserve. Consequently, we were unable to determine the value of any adjustments to these amounts that were necessary.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and

Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Financial Resources and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Financial Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Financial Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.
-

In our evaluation of the Director of Financial Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

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However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Other information

The Director of Financial Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work, including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the Basis for qualified opinion section of our report, we were unable to obtain sufficient appropriate audit evidence about the accuracy of the operating expenditure included in the Comprehensive Income and Expenditure Statement and the carrying value of land, buildings, surplus assets and investment properties included in the Balance Sheet at 31 March 2018. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion section of our report, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

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Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Financial Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities , the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Financial Resources. The Director of Financial Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Director of Financial Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Financial Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Adverse conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, because of the significance of the matters described in the Basis for adverse conclusion section of our report, we are not satisfied that, in all significant respects, *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for adverse conclusion

In considering the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, we identified the following matters:

- During 2017/18 the Authority monitored progress against its revenue and capital budgets in quarters 1 and 2 with reports to the Executive. There were no further budget monitoring reports to Executive after September 2017 due to a cyber-attack which impacted the integrity of information provided from the Authority's financial systems. Reporting did not start again until after the year-end. The absence of any financial updates during this period, even verbally, meant that Members were not in a position to make fully informed decisions.
- Since 2015/16 the Authority has not acted on a timely basis to prepare its draft financial statements by the statutory deadline. The draft 2017/18 financial statements were provided for audit on 1 February 2019, seven months after the statutory deadline of 30 June 2018. This is the third year that financial statements have not been presented for audit by the statutory deadline.
- The Authority's Medium-Term Financial Strategy 2018/19 – 2020/21 lacks any form of scenario planning or, sensitivity assessment (including the impact of future fair funding reviews), to aid management and member's understanding of the impact changes to assumptions could have on future budgets.
- The Authority has not acted on a timely basis to address the weaknesses in its internal control environment, which were highlighted in recommendations made by Internal Audit and in its Annual Governance Statement Action Plan. In the report of outstanding recommendations to the March 2018 Audit Committee there were 16 priority 1 recommendations with overdue dates from April 2016 to February 2018. There were also 29 overdue priority 2 recommendations. The number of overdue recommendations has increased since the previous year. In addition, the same weaknesses have been reported in the Authority's Annual Governance Statement over the last four years to 2017/18. These include weaknesses in the Authority's arrangements for implementing its ICT Strategy and business continuity planning processes. This matter identifies weaknesses in the Authority's ability to implement on a timely manner high priority Internal Audit and Annual Governance Statement Action Plan recommendations.

The above matters are evidence of weaknesses in proper arrangements for informed decision making, with significant and longstanding weaknesses in the system of internal control not being addressed.

- The Authority continued to rely on temporary technical accounting posts within its finance department throughout 2017/18. Since the production of the 2014/15 accounts the Authority has relied upon interim appointments and external experts to key roles in the finance department in the production of its financial statements.

The above matter is evidence of weaknesses in proper arrangements for sustainable resource deployment and poor workforce development, with over reliance on costly interim consultants.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2018 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our consideration of a matter. We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gareth Kelly

Gareth Kelly, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Glasgow

12 October 2020

Annual Governance Statement 2017/18

Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, property accounted for and used economically, efficiently and effectively.

The Council also has a set best value duty under the Local Government Act 1999, to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government 2016. A copy of the Local Code is available on our website at:
https://www.copeland.gov.uk/sites/default/files/attachments/local_corporate_governance.pdf

This statement explains how the Council has complied with its Code and also meeting the requirements of Regulation 6 (1) (b) of the Accounts and Audit (England & Wales) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.

What is Corporate Governance?

Corporate Governance generally refers to the process by which organisations are directed, controlled, led and held to account.

The Council's governance framework aims to ensure that in conducting business it:

- Operates in a lawful, open, inclusive and honest manner
- Ensures that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- Has effective arrangements for the management of risk
- Secures continuous improvements in the manner in which it operates.
- These aims are inherent to the principles upon which the Local Code is based.

The purpose of the Governance Framework

The Governance Framework comprises the culture, values, systems and processes by which the Council is directed and controlled. The Local Code forms a key part of the Framework, which brings together an underlying set of legislative requirements, good practice principles and management processes that support and give practical application of the principles contained in the Code.

Adhering to this Framework enables the Council to monitor the success of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate/cost effective services. Both risk management and internal control measures are a significant part of the Council's corporate governance framework and are designed to manage risk to a reasonable level. These safeguarding processes cannot eliminate all risk of failure to achieve the goals set by our policies, aims and strategic objectives and can therefore only provide reasonable, rather than absolute assurances of their effectiveness.

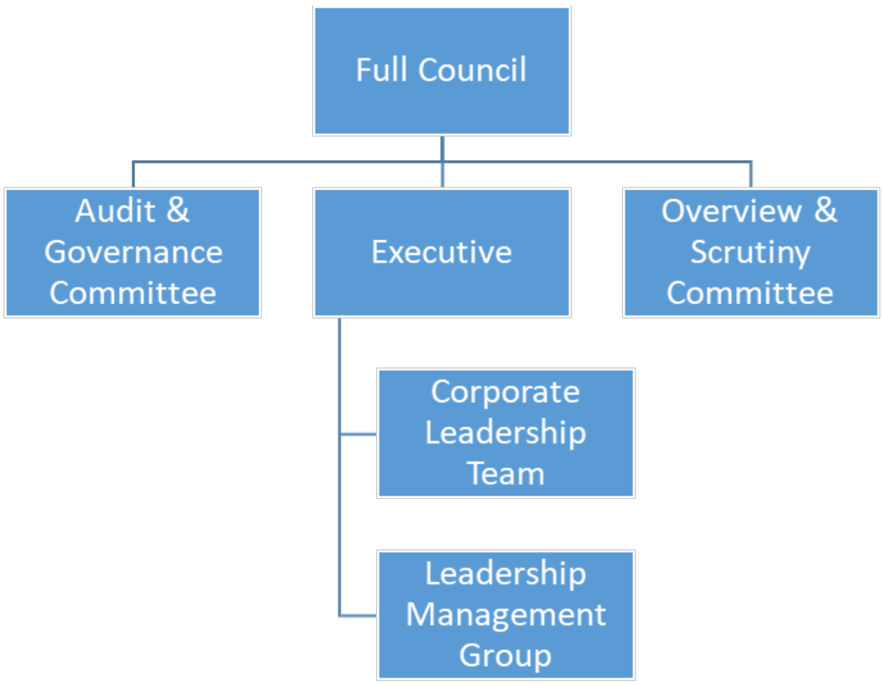
The systems of risk management and internal control are based upon an ongoing process, designed to identify and prioritise the risk to the achievement of the Councils' policies, aims and strategic objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at Copeland Borough Council for the year ended 31 March 2018 and up to the date of the approval of the Statement of Accounts.

Copeland Borough Council's Governance Framework

Copeland Borough Council's Code of Corporate Governance is based on the CIPFA/SOLACE: Delivering Good Governance in Local Government Framework (2016). Figure 1 below shows the Corporate Governance Structure within the council along with the statutory responsibilities.

Figure 1: Governance Reporting Process within Copeland Borough Council



Full Council

The Full Council is responsible within the scope of its responsibilities under law, for ensuring that the Authority's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports to Full Council document the financial, legal, and operational implications of the decisions to be made. Reports are reviewed to ensure there are no governance issues identified or, where such an issue is identified, to ensure that it is appropriately addressed.

Council's Executive

The Council's Executive, comprising the Elected Mayor and three portfolio holders, is responsible, within the scope of its responsibilities under the law, for ensuring that the Council's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports to the Executive document the financial, legal, governance, policy and equality implications of the decisions to be made. Reports are reviewed to ensure there are no governance issues identified or, where such an issue is identified, to ensure that it is appropriately addressed. The findings of the Annual Governance Statement are reported to and discussed with the Elected Mayor.

Head of Paid Service

The Head of Paid Service is responsible for the corporate and overall strategic management of the Authority's staff in accordance with Section 4 of the Local Government and Housing Act 1989. This responsibility is held by the Managing Director.[1]

Section 151 Officer

The Section 151 Officer, held by the Director of Commercial and Corporate Resources,[2] has statutory duties in relation to the financial administration and stewardship of the Authority arising from Section 151 of the Local Government Act 1972.

Monitoring Officer

The Monitoring Officer has a responsibility to ensure compliance with relevant laws, regulations and policies and procedures and that expenditure is lawful. The Monitoring Officer also has responsibility for promoting and maintaining high standards of conduct and reporting any actual or potential breaches of the law or maladministration to the full Council and /or to the Executive as set out in Section 5 (2) of the Local Government and Housing Act 1989. Up to 31st December 2017 this responsibility was carried out by the Council's Solicitor and by the Director of Customer and Community Services from 1st January 2018.[3]

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[1] With effect from 1st April 2018 the post of Managing Director has been re-designated Chief Executive.
[2] With effect from 4th June 2018 the S.151 responsibility held by Chief Finance Officer.
[3] With effect from 20th August 2018 responsibility transferred to role of Head of Governance & Commercial (& Monitoring Officer)

Corporate Leadership Team

The Corporate Leadership Team (CLT) acts as the organisation's overall `management board', providing strategic direction to enable the business of the Authority to be undertaken. CLT provides ultimate assurance to the Cabinet and non-executive Members in relation to the governance arrangements in place. The Annual Governance Statement is reviewed by CLT as part of the production of this statement.

Audit Committee

The Audit and Governance Committee improves corporate governance by reviewing the stewardship of the Authority's resources. The Audit and Governance Committee enhances the profile of audit throughout the Authority and enables it to be strong and effective. The findings of the annual governance review are reported to the Audit and Governance Committee and they monitor the progress of the resulting action plan.

Overview and Scrutiny Committee

The aim of the Overview and Scrutiny Committee is to improve services by scrutinising decisions made by the Executive and making appropriate recommendations. This is done by investigating issues of interest and concern to communities, involving communities in its work and making recommendations to decision makers on how services can be improved. The Overview and Scrutiny Committee has a Performance Sub-Committee that scrutinises all performance and financial monitoring reports and makes recommendations for improvement.

Internal Audit

Internal Audit plays a key role in the assessment of the control environment within the Council. Although part of the Council's overall framework, Internal Audit is not a substitute for effective internal control. In 2017/18 the Interim Internal Audit Manager provided an annual summary of the results and conclusions of the year's work. On 1st April 2017 the service transferred to the Council from the previous shared service arrangement with the County Council. Responsibility for the Internal Audit Service is with the Director of Financial Resources as reported to the Audit Committee on 7th November 2019.

External Audit

Officers meet regularly with the External Audit team, from Grant Thornton, who also attend key Council meetings. Action plans are formulated to address any formal recommendations raised by them. The views of our external auditors are expressed through their annual reports.

Performance and Risk Management

The Executive assess progress against the Corporate Strategy 2016-2020 through quarterly monitoring of a Corporate Strategy Delivery Plan (CSDP) and a suite of Key Performance Indicators (KPIs); this includes both service and project KPIs to ensure they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money. The report to the Executive summarises performance against the Corporate Strategy Delivery Plan and provides context and remedial actions where CSDP Key Deliverables or KPIs have not been fully achieved.

Risk Management is undertaken at operational and strategic level and is also a key element of managing our projects and partnerships. CLT takes an active part in ensuring that strategic risks are identified and managed taking into consideration the Council's priorities. All strategic risks are managed at corporate level and are jointly owned by the relevant member of CLT and Executive. All risks are reviewed on a quarterly basis at CLT meetings and by the risk owners to ensure that they are being managed effectively, with progress reported to the Audit and Governance Committee.

COVID-19

The post-Covid world is full of uncertainty currently for Copeland and the rest of the UK. The Council has been, and will continue to be, fundamentally at the core of supporting our communities through this process.

In terms of resourcing the support mechanisms, there are a number of working groups that have been established through partner collaboration including;

- Copeland Recovery Group formed from the welfare response support (transitioning to be called Thriving Communities Forum).
- Social Prescribing Group – CBC,CCC, NHS
- Children's Trust Board locality group – emerging.
- Copeland Health and Well-Being Forum (link with Cumbria Health and Wellbeing Board)
- Town Deal Boards in Cleator Moor and Millom – Towns Fund delivery focused on Covid recovery
- Cumbria LRF – Strategic Recovery Coordination Group and Health Protection Board and Multi Agency Information Cell (MAIC).

As we move from the response phase into recovery we now need to move forward from a reactive to a proactive mode, to provide leadership to our community and use what has been learned during the pandemic to form a plan for the future. ReBoot is more than a plan for recovery, it is a plan to re-boot - the economy, our aspirations and the way we work together. It will paint a picture of that aspirational 'new normal' which is based on three key messages;

- In the future no-one within the Copeland community will be 'left behind' – all residents will have equal access to the support services they require to meet their individual needs at a time and through a medium/channel that meets their preference.

- Our collective priority will be to ensure that we can all go about our day to day activities in a safe and healthy environment, with respect, regard and consideration for everyone inside and visiting our communities

- We will all work together to ensure that we develop a more sustainable and local approach to protecting our environment, tackling climate change and supporting the local economy

Many of the Council's strategies and policies are affected by the impact of the pandemic and the subsequent needs of our communities. Some are now outdated or outmoded and require overhaul. Others require a substantial rewrite for the post-Covid world.

Communication

Copeland Council is committed to providing high quality, open, timely, relevant communications and consultation that encourage feedback from all sections of its local communities. All decisions and reports are publically available unless justifiable reasoning is provided to maintain confidentiality. The Council is dedicated to ensuring transparency through adherence to the Local Government Transparency Code. The Council aims to ensure that residents, partners and stakeholders are involved in the design and delivery of its services.

The Council works closely with local groups representing those that are in a minority in our local communities, including those with a disability and ethnic minorities, to ensure that their communications and consultation needs are met. There is an annual budget consultation involving the public, local businesses, employees and Trade Unions. Further stakeholder engagement with the public is achieved through media relations, web presence, social media activity, newsletter inclusion and Elected Representative engagement. The Council also engages with its institutional stakeholders through the Carlisle Partnership, Copeland Hub, a strategic partnership with local authorities, health trusts, Cumbria Constabulary, third sector organisations and private sector businesses.

Vision for Copeland

The 2016-2020 Corporate Strategy sets out the Council's Vision for 2020; Copeland Borough Council is a commercially focused organisation with a national reputation for high quality services. The corporate strategy sets out the intended outcomes for citizens and service users and is used as a basis for setting the medium term financial strategy. The Council works with its partners and collaborations in order to deliver the vision for Copeland.

Review of Effectiveness

Copeland Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Leadership Management Team within the Authority who have responsibility for the development and maintenance of the governance environment, the Interim Internal Audit Manager's annual report, and also comments made by external auditors and other review agencies and inspectorates.

The work of the above committees and individuals has been used in compiling this Annual Governance Statement and arriving at an assessment of the internal control arrangements in place within the Council. Listed below are additional processes that have been used to maintain and review the effectiveness of the governance framework.

- The Council's internal management process, and reporting mechanisms, such as Performance and Risk Management, Customer Feedback, Health and Safety, Policy Development and Review.

- An assessment of the Council's Partnership Working Framework.

- An annual self-assessment of the adequacy of governance arrangements within Services undertaken by Service Managers.

Principles of Good Governance

The Council has approved and adopted a local Code of Corporate Governance ("the Code"), which is consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. A copy of the Code can be obtained from the Council's Chief Finance Officer. The Council has also recognised the requirements of the 2010 CIPFA application note 'Statement on the Role of the Chief Financial Officer in Local Government (2015) and the CIPFA Statement on the 'Role of the Head of Internal Audit (2010)'.

This statement explains how the Council has complied with the Code and application note and also meets the requirements of regulation 6(1) and (2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control – the Annual Governance Statement.

Governance Issues

The Interim Internal Audit Manager's assessment of the adequacy and effectiveness of the Council's overall arrangements for governance, risk management and internal control is a "Partial Assurance". Due to the cyber attack is has not been possible to complete sufficient internal audit work to allow me to provide reasonable assurance on the adequacy and effectiveness of risk management, governance and internal control. Two audits provided limited assurance, these relate to the 'Home Renewal Assistance Grant' and 'Payroll' audits. The Payroll audit has subsequently received 'Reasonable' assurance on a follow up audit with all high priority recommendations implemented.

The following governance issues were identified:

Cyber-attack

At the end of August 2017 the Council was the target of a major `zero day' cyber-attack, which temporarily disabled the Council's IT network and access to corporate systems. Disruption to the Council systems continued throughout the remainder of the financial year and into 2018/19. Not only did the attack present the Council with a challenge in meeting the financial cost of recovery, which has been calculated at circa £0.8m in the financial year, but also stretched the capacity of the workforce to beyond optimal limits.

Impact on the control environment and mitigating actions / compensatory controls

The existing control environment was impacted in the days and weeks following the cyber attack, this necessitated the development of alternative controls until 'normal' controls were re-established. The following mitigating actions / compensatory controls were established:

The Council uses some cloud-based systems and this meant that some email access was available. Likewise, the fact that revenues and benefits was handled off-site because of a shared service arrangement meant those services could also continue.

CLT set up a command structure and business continuity plans were activated.

A specialist IT team was assembled - managed by Copeland's own IT Manager – including seconding in colleagues from the IT/cyber security sector and neighbouring authorities.

The senior management team dealing with the incident met staff to discuss the issue through face-to-face briefings, allowing staff to ask questions and discuss the issue openly. The Council also had to be honest and frank with all stakeholders, who would not only experience the disruption to normal council operations but might also be put at risk from the attack themselves.

There were delays in budget monitoring information and this is considered further in this statement.

Bank transactions continued to be input on the council's cash receipting software. Paper records retained for daily transaction postings. Cash Files were regularly sent to Carlisle City Council detailing receipts of NNDR, Council Tax, and Housing Benefit Overpayments.

Bank transactions continued to be input on the Council's cash receipting software. Paper records were retained for daily transaction postings.

Access to critical business applications alongside the gradual recovery of necessary data has meant that internal audit was unable to carry out some of the planned audits with the work being deferred into the following year. It is recognised that a number of the key internal audit recommendations from the previous action plan were not completed, partly as a result of the cyber-attack, but more importantly, because of the availability of staff resources. It was necessary for teams to concentrate on a blend of recovery activities and interim working arrangements to ensure the continued delivery of front line services to the public, which left little scope to provide input into revised protocols and procedures to address internal audit recommendations. This situation improved towards the end of the financial year with teams having much more scope to address the priority actions identified by internal audit.

The IT infrastructure has been strengthened and improved where it has been possible to do so and the Council has put significant resources into the restoration of the (Public Services Network) PSN certification. While recovery work continues replacement of critical software and hardware applications are focused on the ability to move to an environment which provides much stronger risk mitigation opportunities (such as off-site back-up and the use of hosted applications).

Code of Conduct

During the year, the Council has seen a significant increase in the number of Code of Conduct investigations required. 63 complaints were dealt with during the year of which 50% were generated by Elected Members, mainly of Whitehaven Town Council. This has inevitably led to a reprioritisation of some work as Senior staff have devoted resources to the investigation, reporting and resolution of the complaints.

Loss of Key Staff

The Council were successful in making a permanent appointment to the role of Director of Commercial and Corporate Resources (& Section 151 Officer) in April 2018. However, a procedural breach in the appointment process, which had no detrimental effect upon the Council, resulted in significant scrutiny both internally and externally. The personal impact on the officer appointed resulted in the loss of that officer and triggered a review of the Senior Management Structure of the Council.

Delay in Budget Monitoring Information

Following the cyber-attack access to the Financial Management System was disabled. After a period of five weeks' access was restored exclusively for the Strategic Finance Technician to assess any resulting impairment to the system.

Extensive testing found the general ledger was intact and information had been preserved as at 24 August 2017. A significant period of restoration work followed. As the general ledger is dependent on a number of feeder systems or interfaces to maintain information held within it, it was necessary for the majority of those interfaces to be restored by the external software providers and external IT specialists. The timeliness and accuracy of information held on the general ledger exponentially diminished as the restoration process endured. Once interfaces were restored, work began to import the backlog of information to bring the general ledger up to date and it was crucial that the integrity and accuracy of this information was verified through a series of reconciliations. Consequentially budget monitoring reports were unable to be prepared until the missing information was updated in the system and reconciled.

The delay in providing timely and accurate information for the period following the cyber-attack resulted in the absence of budget monitoring reports from September 2017 to budget managers/CLT/ Executive to inform decision making. However, the Council were able to use a combination of available financial information, corporate knowledge and alternative information sources to inform the decision making process.

Delay in Production of Final Accounts

There has been a continued reliance on interim professional staff throughout the year to deliver the Statement of Accounts. Coupled with the difficulties in the ability to interrogate and accurately confirm the integrity of the data, as a result of the delay in the restoration of the financial systems following the cyber-attack has meant already challenging deadlines for the production of the Draft Statement were not able to be achieved.

Reliance on Interim Support

There has been a continued need to rely on interim support in key delivery areas of Council. As well as the need for technical and professional interim support in the Finance Team and in ICT to support cyber attack recovery, it has been necessary to expand requirements for interim support within the Property and Estates Team, until such time that a new Manager is appointed.[4] Additional support has also been required in Strategic Planning and Development Control because of continued difficulties in making permanent appointments to current vacancies. Internal Audit continues to be led on a part-time basis by an Interim Manager.[5]

External Audit Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

The External auditor has concluded that, in all significant aspects, the Authority has not put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018 and has given an adverse opinion. This follows a qualified opinion in 2016/17. The following matters were identified:

- There were delays in budget monitoring reports due to the cyber attack;
- Third year Financial Statements have not been produced on time;
- Lack of scenario planning in the Medium Term Financial Strategy;
- Timely resolution of weaknesses in the control environment; and
- Reliance on temporary staff for technical accounting roles.

Governance Improvements

In recognition of the areas of improvement enacted across the Council to strengthen governance and risk management arrangements a summary of activities is outlined below.

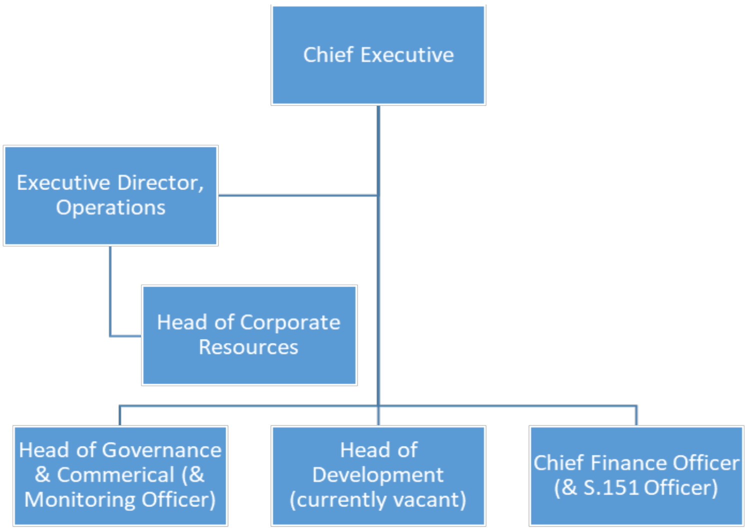
CLT Restructure

Following the departure of the Director of Commercial and Corporate Resources (& Section 151 Officer), a review of the Senior Management Structure of the Council was undertaken towards the end of the Financial Year. The business case and structure was approved by Personnel Panel and Full Council in April 2018. Figure 2 shows the Corporate Leadership

[4] New Property and Estates Manager appointed effective 20th June 2018.
[5] New Audit Manager appointed effective 1st October 2018.

Team Structure which has been expanded from three to six members. The Head of Development is still vacant as at 7th September 2020.

Figure 2: Corporate Leadership Team Structure, Effective April 2018



Support Services Review – Recruitment and Retention of Key Staff

The implementation of the Support Services Review towards the end of the 2016/17 Financial Year allowed for some key appointments to be made in Senior roles in April 2017. 3 key roles, Director of Commercial and Corporate Resources, HR Business Partner and Strategic Finance Accountant, were filled by external consultants who had been working with the Council for a period of time as part of their interim support arrangements. Although as noted elsewhere the Director of Commercial and Corporate Resources has subsequently left the Council, it has been seen as a positive step that measures have been taken to reduce reliance on interim support.

Pay and Grading Review

Continued pressure in key areas such as Building Control, Development Control, Finance and Property and Estates has resulted in a fundamental review of the overall Pay and Grading Structure of the Council. Effective from 1st April 2018 it is envisaged that critical skills gaps can be bridged with the realignment of salary levels across all staff grades. Indeed, there has been a significant improvement in the Council's ability to recruit qualified professional accountants.

The review has included the introduction of professional qualification bars for most roles in the Council and requires all technical and professional employees to achieve minimum professional educational standard and, where appropriate, membership of a professional body before pay progression can be achieved. This change in approach is underpinned by the ongoing reinforcement of the Council's values and performance management framework.

Apprenticeship Programme

In order to support the general principle of workforce development and to assist in long term planning for filling key vacancies the Council appointed six (6) new apprentices in September 2017. The programme was developed around the Government's National Apprenticeship Standards and maximises the Council's use of the Apprenticeship Levy. Delivered with the support of Lakes College the following business areas were prioritised in the 2017 cohort:

- Finance
- Information Technology
- Customer Services
- Revenues
- Benefits
- Human Resources

General Data Protection Regulations (GDPR) Preparation

Throughout the year the Council worked with the consultants "Inform and Consult" to produce a comprehensive Information Asset Register to comply with the requirements for change outlined in the GDPR Regulations which become effective in May 2018.

The Council have been able to identify both the electronic and paper based information systems used across the organisation and have identified specific areas for consolidation, deletion and retention. Work will continue in this key area throughout 2018/19.

Overall Assessment of the Governance Arrangements in Place

The Corporate Leadership Team and relevant Officers have reviewed the evidence outlined above and concluded that due to the governance issues set out in this report, mainly;

- development of alternative controls until 'normal' controls were re-established during the cyber attack;
- a "partial assurance" internal audit opinion; and
- Adverse conclusion from the External Auditor on Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

As a result of the governance items raised above 'partial assurance' can be provided on the governance arrangements in place in 2017/18. The 'Progress with the Annual Governance Statement 2016-17 – September 2020' statement that follows this report sets out that the above items have all been resolved at the time the audit opinion was issued.

Signatures

We, the undersigned, propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:	Signed:
Mike Starkie Elected Mayor Copeland Borough Council	Pat Graham Chief Executive Copeland Borough Council
Date: 12 October 2020	Date: 12 October 2020

I confirm that at the Audit Committee (at its meeting on 8th October 2020) was satisfied on the basis of the information available to it, that the Annual Governance Statement for 2017/18, which is required under the regulations governing the audit of local government accounts, has been prepared and approved after due and careful enquiry.

Signed:

Michael Bonner

Chair of Audit Committee

Date: 12th October 2020

Progress with the Annual Governance Statement 2016-17 – September 2020

Recommendation Code & Title	Due Date	Priority	Progress Bar	Notes & History Latest Note
AR-C_119 Review all Human Resources Policies to ensure they are all up to date and reflect current practice.	30-Jun-2018	1 - High	50%	Programme of updating the policies is in progress with 50% now updated, programme to update the remainder in place.
AR-C_122 Ensure the timely implementation of the ICT Strategy work programme.	30-Jun-2018	1 - High	100%	Strategy approved by CLT December 2019
AR-C_123 Devise a new ICT team structure and a training and development programme.	30-Jun-2018	1 - High	100%	New structure in place October 2019
AR-C_128 Counter Fraud and Corruption Awareness refresher training to be delivered to all officers and members within the Council.	31-Dec-2018	1 - High	100%	Training delivered during in June 2019.

Annual Governance Statement 2018-2019 – Priorities for Action (Proposed) – Update as of September 2020			
Recommendation & Title	**Due Date**	**Progress Bar**	**Notes**
Cyber Attack – 27 key recommendations were produced following a series of feedback sessions from a range of key stakeholders at all levels of the organisation and the Business Continuity Working Group which was formed to respond to the Cyber-Attack	Various	50	Outstanding longer term recommendation incorporated into the ICT Strategy.
Code of Conduct – The Member Development Training Programme will include training on the Code of Conduct for all Members.	June 2019	100%	Completed
Loss of Key Staff – Undertake a review of the Senior Management Structure of the Council.	September 2019	100%	Completed
Delay in Budget Monitoring Information – Ensure monthly budget monitoring arrangements are re-established.	November 2018	100%	Completed
Delay in Production of Final Accounts – Ensure the finance team is fit for purpose with the aim of producing the 2019/20 financial statements on time.	September 2019	50%	Full team in place, legacy issues with the 2017/18 accounts has meant a delay to the 2018/19 audit and subsequent production of the 2019/20 financial statements.

Glossary of Terms

Accounting period

The period of time covered by the accounts. Normally a period of twelve months commencing on 1 April and ending on 31 March the following year. The end of the accounting period is the Balance Sheet date.

Accounting Policies

The various conventions, rules, principles and practices which the Council applies in preparing and presenting financial statements.

Accounts

A generic term for financial statements setting out details of income and expenditure or assets and liabilities or both, in a structured manner. Accounts may be categorised either by the type of transactions they record, e.g. revenue account, capital accounts or by the purpose they serve, e.g. management accounts, final accounts, balance sheets.

Accrual

An accrual is a sum included in the accounts to cover income or expenditure attributable to an accounting period for goods received or works done, for which payment has not been received/made by the end of that accounting period. In other words, income and expenditure are recognised when they are earned or incurred, not when they are received or paid.

Actuary

An actuary is a suitably qualified independent consultant employed to advise the Council on the financial position of the Pension Fund.

Actuarial gains and losses

Actuarial gains or losses for defined benefit pension scheme arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or the actuarial assumptions have changed.

Amortisation

The reduction of the value of an asset over a period. Amortisation, although by definition similar to depreciation, is used for the write-off of intangible assets, for example. It can also refer to the reduction of debt, either through periodic payments of principal and interest, or through use of a sinking fund.

Appropriation

The transfer of resources to and from the reserves.

Asset

An asset is a resource controlled by the Council as a result of past events, from which future economic benefits or service potential is expected to flow to the Council. Assets can be defined as either current or non-current.

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock)
- A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year, e.g. an office building.

Audit of accounts

An independent examination of the Council's financial affairs, to ensure that relevant legal obligations and codes of practice have been conformed with.

Balance Sheet

The Balance Sheet shows the value of all assets and liabilities recognised by the Council at the Balance Sheet date.

Billing Authority

A local council charged by statute with the responsibility for the collection of, and accounting for, Council Tax and Non-Domestic Rates, which are then distributed amongst relevant local government bodies in the local county area (including the billing authority itself) and, in the case of Non-Domestic Rates, also central government.

Budget

A budget is a financial statement that expresses the Council's service delivery plans and capital programmes in monetary terms i.e. a forecast of net revenue and capital expenditure. This covers the same period as the financial year and is typically accompanied by longer term financial forecasts.

Capital Adjustment Account

This account represents amounts set aside from revenue resources or capital receipts to finance expenditure on assets, or for the repayment of external loans.

Capital expenditure

Expenditure on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure that adds to and not merely maintains the value of an existing non-current asset.

Capital financing

Funds applied to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

Capital programme

Details the capital schemes the Council intends to carry out over a specified period of time and also provides estimates of the resources needed to finance the programme.

Capital receipt

The proceeds from the disposal of land or other non-current assets. Proportions of capital receipts of up to 100% can be used to finance new capital expenditure, within rules set down by the Government. They cannot be used to finance revenue expenditure, except in very restricted circumstances.

Capital Financing Requirement (CFR)

The Capital Financing Requirement is a measure of the Council's need to borrow to support capital expenditure, which has yet to be repaid.

Cash Equivalents

Short term, highly liquid investments, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are used for the purpose of meeting short term cash commitments, rather than for investment or other purposes.

Cash Flow Statement

This is a mandatory part of the Statement of Accounts and sets out movements in Cash and Cash Equivalents arising from various aspects of the Council's activities.

CIPFA - The Chartered Institute of Public Finance and Accountancy

CIPFA is the main professional body for accountants working in the public service. It produces guidance in relation to various matters concerning the public sector including financial and governance issues.

Collection Fund

A separate fund administered by the Council that records the income and expenditure relating to Council Tax and Non-Domestic Rates.

Community assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings. Community Assets exclude those assets which are classified as Heritage Assets.

Comprehensive Income and Expenditure Statement (including Movement in Reserves Statement)

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible, and demonstrates how that cost has been financed from precepts, grants and other income.

Componentisation

The identification and depreciation of parts of an asset separately, where these have different useful lives and are individually significant relative to the total value of the asset.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next are the same.

Constructive obligation

An obligation that derives from the Council's actions where:

• by an established pattern of past practice, published policies or a sufficiently specific current statement, the Council has indicated to other parties that it will accept certain responsibilities; and

• as a result, the Council has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Contingent asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

Contingent liability

A contingent liability is either:

• a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or

• a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

Council Tax

A local tax set by local authorities to finance the net budget requirement.

Creditor

Amount owed by the Council for works carried out, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

Current Assets

An asset held which will be used, or received, within twelve months of the Balance Sheet date.

Current Liabilities

An amount which becomes payable, or could be called in, within twelve months of the Balance Sheet date.

Current service cost

The increase in the present value of a defined benefit scheme's liabilities, expected to arise from the employee service in the current period.

Debtor

Amount owed to the Council for works carried out, goods received or services rendered within the accounting period, but payment for which has not been received by the end of that accounting period.

Deferred Liabilities

A Deferred Liability is a sum of money that is either not payable until some time after the financial year end, or is paid over a number of years. For the Council, this normally relates to phased payments in respect of Finance Leases.

Deferred receipts

Deferred receipts represent income still to be received, where the Council has agreed that amounts are payable beyond the next year, either at some point in the future, or by an annual sum over a period of time.

Defined benefit pension scheme

A pension scheme in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

Ministry of Housing, Communities & Local Government (MHCLG)

The Central Government department responsible for local government affairs.

Depreciation

The measure of the cost of the wearing out, consumption or other reduction in the useful economic life of the Council's non-current assets during the accounting period, whether from use, passage of time or obsolescence through technological or other changes.

Direct Revenue Contribution/Financing

Resources provided from the revenue budget to help finance the cost of capital projects.

Discretionary benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers.

Earmarked Reserves

Those reserves which have been established to meet specific, known or estimated future expenditure.

Emoluments

All sums paid to or receivable by an employee and sums due by way of expense allowances and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

Exceptional items

Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected return on pension assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair value

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fees and Charges

Councils are permitted to agree fees and charges to help cover the cost of a range of services. Amongst the most common examples are those for planning applications, building control, car parking and licences.

Finance lease

A lease that transfers substantially all of the risks and rewards of ownership associated with a non-current asset to the lessee.

General Fund

The main revenue fund of a local council to which day-to-day income and expenditure on and from services are charged and credited. It also receives income in respect of Government financial support, Non-Domestic Rates and Council Tax. A balance is maintained to provide assurance against future financial risk and to support, or receive a surplus from, net expenditure on services.

Going concern

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

Government grants

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

Heritage Assets

Tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities, which are held principally for their contribution to knowledge or culture.

Housing Benefits

A system of financial assistance to eligible individuals towards certain housing costs administered by authorities and subsidised by Central Government.

Impairment Loss

A reduction in the value of a non-current asset, below its carrying amount on the Balance Sheet.

Income

Amounts that the Council receives or expects to receive from any source, including fees, charges, sales and grants.

Infrastructure assets

Non-current assets belonging to the Council that cannot be transferred or sold, expenditure on which is only recoverable by continued use of the asset created. Examples are highways, footpaths and bridges.

Intangible asset

An identifiable non-monetary asset which has no physical substance. It must be controlled by the Council and future economic benefits must be expected to flow from it to the Council. The most common form of Intangible Asset in local authorities is software licenses.

Interest

An amount received or paid for the use of a sum of money when it is invested or borrowed.

Interest cost (pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

International Accounting Standards (IAS)

These are issued by the Accounting Standards Board to provide information on the required standards for the preparation of the Council's financial statements. As far as possible, the Council prepares its financial statements in accordance with IAS, where they apply to local authorities.

International Financial Reporting Standards (IFRS)

IFRS is the prescribed format for all local councils' Statement of Accounts. The Code of Practice gives detailed guidance on how the council should account for its transactions in the statements and notes explaining the transactions.

Investments (Pension Fund)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Investment Property

A property held solely to earn rentals or for capital appreciation (or both).

Liquid resources

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- readily convertible to known amounts of cash at or close to the carrying amount; or
- traded in an active market.

Long-term contract

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

Members' Allowances

A scheme of payments to elected Council members in recognition of their duties and responsibilities.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans or other credit arrangements entered into by the Council.

National Non-Domestic Rates (NNDR)

The Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the Government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council in its role as billing authority and is apportioned between the Council itself, Central Government and Cumbria County Council

Net book value

The amount at which assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

Net debt

The Council's borrowings less cash and liquid resources.

Net worth

This is the overall value of the Balance Sheet at the end of the financial period.

Non-current Assets

Assets that have physical substance and are held for the provision of services, or for administration purposes, on a continuing basis.

Non-distributed costs

These are overheads for which no user now benefits and as such are not apportioned to services.

Operating lease

A lease where the ownership of the fixed asset remains with the lessor.

Operating (or Service) Segment

A service, or group of services, based on the Council's internal management structure, which is used in the reporting of expenditure and income in the Comprehensive Income and Expenditure Statement. The objective of reporting in this way is to enable users for the financial statements to evaluate the nature and financial effects of the activities in which the Council engages and the economic environments in which it operates.

Outturn

The final financial position for the year.

Past service costs

For a defined benefit scheme, the change to the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Pension scheme liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured by the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Private finance initiative (PFI)

A Central Government initiative whereby local authorities do not buy assets used to provide public services but rather pay for the use of assets held by a private sector provider, who is responsible for making the asset available to the Council, for maintaining it and for managing the risks associated with it.

Post Balance Sheet events

Those events, both favourable and unfavourable, of such materiality that their disclosure is required for the fair presentation of the Council's statements, which occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept

The demand made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax payers on their behalf.

Prior period adjustment

Material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Projected unit method

An accrued benefits valuation method in which the pension scheme liabilities make allowance for projected earnings. The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

Provision

An amount put aside in the accounts for future liabilities or losses but the amounts or dates of when they will arise are uncertain.

Prudence

Prudence is the accounting concept that seeks to ensure that estimates of income are conservative and not overstated and that estimates of liabilities and costs are not understated.

Prudential Indicators

The CIPFA Prudential Code For Capital Finance In Local Authorities requires authorities to agree and monitor a defined suite of indicators to help inform whether capital investment plans are affordable, prudent and sustainable.

Public Works Loan Board (PWLB)

A Central Government agency, which provides loans for one year and above to authorities at interest rates only slightly higher than those at which the Government itself can borrow.

Rateable value

The annual assumed rental value of a hereditament, which is used for NNDR purposes.

Related parties

A detailed definition of related parties can be found in IFRS 8. For the Council's purposes, related parties are deemed to include the Council's Members, the Managing Director, its Directors, and close family and household members of those persons.

Related party transactions

Material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

Reserves

The accumulation of surpluses, deficits and appropriations over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves such as the revaluation reserve cannot be used to meet current expenditure.

Residual value

The net realisable value of an asset at the end of its useful life.

Retirement benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revaluation Reserve

An account representing the balance of net surpluses arising on the revaluation of non-current assets (excluding investments).

Revenue expenditure

The day-to-day expenses of providing services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Capital expenditure, which may be properly capitalised but which does not result in or remain matched with tangible non-current assets owned by the Council. This expenditure typically relates to Disabled Facilities Grants and other grants made to individuals or organisations to fund works to their properties, but can also include other items specified by the Secretary of State under the relevant legislation.

Revenue Support Grant

A grant paid by Central Government to authorities, contributing towards the general cost of their services.

Risk Management

The proactive adoption of a planned and systematic approach to the identification, evaluation and management of risk.

Section 151 Officer (S.151)

Section 151 of the Local Government Act 1972 requires the Council to appoint an officer responsible for the proper administration of the Council's financial affairs. The Director of Commercial and Corporate Resources is the Council's Section 151 Officer.

Service Reporting Code of Practice (SeRCOP)

A CIPFA Code of Practice designed to facilitate consistency in accounting for and reporting costs and income across local authorities, thereby allowing more meaningful comparisons of financial information between them.

Inventory

Items of raw materials and stores a council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

Temporary borrowing

Money borrowed for a period of less than one year.

Useful economic life

The period over which the Council will derive benefits from the use of a non-current asset.

Treasury Management

The management of the Council's borrowing, investments and cash flow, the associated risks and the pursuit of appropriate returns, consistent with those risks. Treasury Management also encompasses setting and monitoring compliance with a defined suite of Prudential Indicators.

Work in progress

The cost of work performed on an uncompleted project at the Balance Sheet date, which should be accounted for.